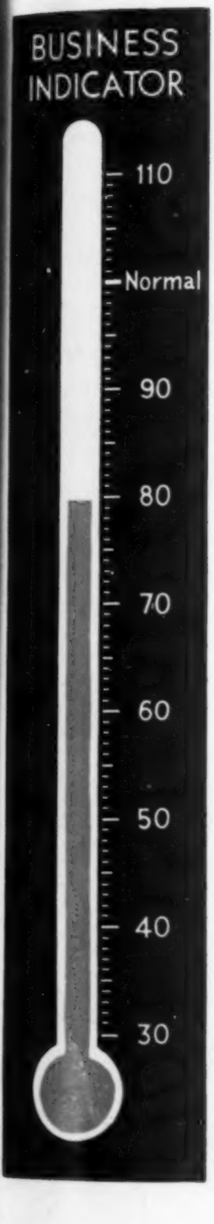
APRIL 15, 1931

THE BUSINESS WEEK



Business continues to crawl along the astonishingly flat trough that has lasted more than four months. Week to week and even month to month movements are slight, sporadic, still unsignificant . . . . Steel activity slides off more swiftly from its feeble spring peak, with increasing price uncertainty, but with persistent hope of improved demand later from summer construction contracts . . . . Building alone evidences any vigor, but mainly with support of public money . . . . Other indicators are static, and our index dithers indecisively around the average of recent months, with a slight slump in the last few weeks . . . . Background conditions, excepting only encouraging crop prospects, are not conducive to confidence . . . . Stagnant or sagging security markets indicate increasing caution and indecision in anticipation of further dividend and wage readjustment . . . . Chronic weakening of commodity prices with continued credit contraction is stimulating restrictive agreements on production with governmental support or compulsion, thereby aggravating unemployment and speeding socialization . . . . Moves for major international conference action to meet the emergency and check deflation are apparently at last developing around Governor Norman's visit, but further drift and delay are likely until a third winter of unemployment looms, so long as our official and financial economics emulates the ostrich, the original optimist.

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What's In This Issue —And Why

Pay Envelopes

WAGE-CUTTING already has gone further than most observers suspect, is likely to go further still. It hurts because, in contrast to 1921, wages are brought down faster than living costs. Some of the greatest industrial leaders will not surrender. *(page 5)*

Pay Checks

CAPITAL, too, finds less in its envelope; dividends are sharing the paring. *(page 7)*

Home Sweet Home

FEBRUARY and March show the first definite upturn in residential building since 1928. *(page 8)*

The Right Track

THE I. C. C. believes the railroads should develop now neglected opportunities, avoid—among other things—bus operation which duplicates rail service. *(page 16)*

THE railroads call the I.C.C. "unsympathetic," feel they might as well keep any bus profits in the family, continue to operate routes which parallel their tracks. *(page 18)*

WHEN good railroad men and shippers get together on their problems, some practical solutions result. *(page 23)*

Matches

HIGHLIGHTS and sidelights on the pipe-and-oven-lighting business. *(page 22)*

New Bloom

THE fixed trust, newest flower of investing, has its roots in the hinterland and its blossoms on the ruined walls of the Street. *(page 26)*

Noblest Experiment

THE Farm Board's organization of agriculture is the government's greatest gesture; sooner or later, it will affect all business, and far-sighted business men are keeping an eye on this colossal marketing scheme. *(page 32)*

Oliver Twists

HUNGRY legislatures, now in session, are bringing up their bowls for more of that easy gas-tax money. *(page 30)*

OREGON'S farmers ask more taxes—for industry; outnumbered, industry swallows them, but not for always. *(page 30)*

Bigger Batá

EUROPE'S biggest shoemaker strengthens his position by acquiring his chief Czechoslovakian rivals. *(page 29)*

The Prodigal Wax

THROWN out, at great expense, by the oil industry, paraffin wax returns as the new lubricant. *(page 11)*

Fencing the Bear

ANTI-SOVIET sentiment attempts to organize an international boycott. The fuse, lighted by the International Chamber of Commerce, is set for the Washington meeting in May. *(page 15)*

Slot Troubles

THE vending machine operators and manufacturers organize to fight the slugs which pinch-penny times have brought to the fore. *(page 28)*

New New Gillette

THE reorganized razor and blade will have a presumably patent-proof blade lock. *(page 10)*

Retailing

STORES sales figures, surveyed by *The Business Week*, show that independents fared no worse than the chains, even did better in some lines. *(page 9)*

Morning After

THE industrial alcohol makers call a truce in the price battle. *(page 13)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending April 11, 1931

Long Deferred, Wage Cuts Begin To Assume Ugly Proportions

President Hoover's concern amply justified, though some great employers will hold out

PRESIDENT HOOVER'S comments on wage cutting have attracted widespread attention; have renewed interest in 2 questions: (1) Are wage rates being maintained? (2) How much longer will they be maintained in the face of prolonged depression and declining commodity prices?

Information gathered by *The Business Week* from many authoritative sources indicates the answers are: (1) Wage cutting has been considerably more widespread than is generally realized; (2) Many employers, feel they cannot maintain wage rates much longer; a marked increase in wage cuts, accelerating still further the trend that has quickened since the turn of the year, appears almost inevitable unless a sharp upturn in business or a halt in commodity price declines intervenes soon.

Surprisingly Successful

In general, employers have been surprisingly successful in maintaining wages under most adverse conditions. Most of them still regard wage maintenance as a sound national policy; but many are wondering if they are justified in supporting much longer a national policy which, mistakenly or no, they feel is hurting their own business.

They look back wistfully to 1921-22; recall that quick wage cutting was followed directly by a sharp upturn in business which carried on, with minor fluctuations, until 1929. They compare that record with the last 18 months, wonder if we are now wrong.

Conditions Changed

But conditions were much different in 1921. Labor was considered chiefly as a part of productive costs; almost no voices were raised against immediate and drastic wage cuts. Cost of living declined much faster than earnings, so that, even considering the unemployed, net earnings of labor at bottom of the depression were greater than at its start.

During ensuing years business men came to look upon labor more as a consumer of mass production than as an item of production cost; they loudly proclaimed their loyalty to the philosophy of high wages; actually increased wage rates in many instances. Unfortunately for their good intentions, living costs increased so rapidly that by 1929 the average worker was receiving little more real income than he had in 1922.

During the past 18 months this condition has been greatly aggravated. Living costs have declined about 13% since October, 1929; average earnings of labor have dropped 20%, according to the National Industrial Conference Board. Any development which increases the spread between these factors, such as wage cutting, increasing unemployment or more part-time, must inevitably postpone business recovery.

Agree as to Policy

Most business men still agree with this conclusion as a national policy; but many assert that the time is near when the preservation of their own business must be made their first consideration and only lower wages will assure this

This position is based upon the assertion that widespread wage cutting, affecting all business and all localities in some measure, has already aggravated a competitive situation none too good anyway in view of over-capacity and falling price levels. It is pointed out that wage cutting, like price cutting, acts like a snowball. The farther it goes the bigger it gets and the harder it is to stop. Many think wage cutting has already passed the controllable stage; that it must go on now to its bitter end.

Heavy Cuts This Year

During January, February, and March, 1931, 903 of the 13,000 manufacturing concerns reporting wage data to the Bureau of Labor Statistics, U. S. Department of Labor, cut wages of 126,103

Keystone

FIRST WITNESS—*B. A. Scott (left), vice president of the Miners' Union of Charleston, W. Va., testifies before the Senate Unemployment Insurance Committee. Side by side, center, Senators Glenn, Illinois, and Hebert, Rhode Island, chairman. Right, is Senator Wagner, New York. They'll learn about unemployment insurance from him*

workers an average of about 10%. This was 49% of reporting concerns which have made cuts since August, 1929 (1,857); affected 50% of all workers whose wages have been reduced during that period (251,190). Evidently the snowball is gaining momentum.

These Are Leaders

Since these 13,000 reporting manufacturers make up but 7% of the total manufacturers in the country, but employ 30% of all manufacturing workers, evidently they are, in general, the larger and better-managed concerns and are likely to have better rate-cutting records than non-reporters. Wage cuts for 250,000 workers of this group means, perhaps, 1 million reductions in all plants.

Farm labor wages have dropped 26% since October, 1929, according to the Bureau of Agricultural Economics. Wages of miners, particularly copper and bituminous coal workers, have been substantially lowered. Construction workers have received many direct rate reductions and many more semi-concealed cuts. Banks, stores, service organizations, and virtually all other lines of business yield the persistent searcher enough examples to prove that wage reductions have been relatively widespread, despite contrary statements.

Opposing Arguments

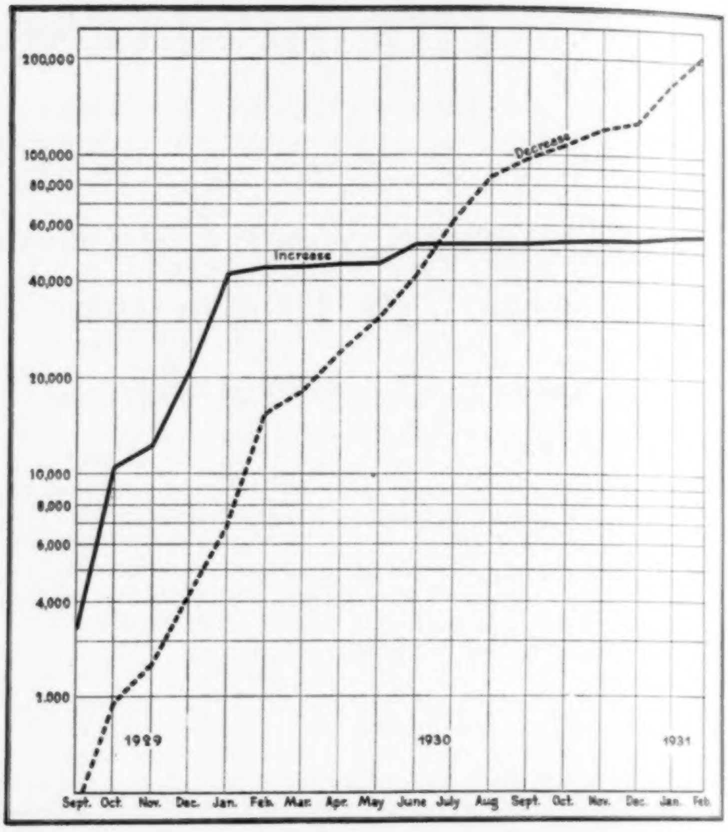
Vocal proponents of wage cutting—chiefly of the banking fraternity—maintain that a depression is no time to increase real wages by maintaining rates while living costs fall; that lower prices are essential to develop new markets; that lower labor costs are necessary to achieve lower prices.

Wage reduction opponents retort that although living costs have declined, earnings of labor have declined much faster; that lower wages cannot be reflected directly in lower costs because of the many other factors involved in price. They point out that while cost reduction via the wage cut may appear to be the easiest, quickest, and cheapest method, in the long run it is far more expensive than to reduce costs in other ways.

Other Remedies

Perhaps in 90% of the country's business enterprises, research, replacement of obsolete equipment, improved marketing methods, and similar activities would cut costs more than could a cut in wages. To grasp these opportunities, however, requires capital and a somewhat higher degree of managerial intelligence than is common. Business without necessary capital or intelligence to cut costs in other ways feels it must, perforce, resort to wage reductions.

Most leading business men remain convinced that wage maintenance is the sound policy. Should general wage cutting come, there will be many first-line industrials such as American Telephone & Telegraph, United States Steel, the Standard Oil companies, and the railroads which are quite unlikely to reduce wage rates under any provocation. Employing hundreds of thousands of workers, these huge units will provide a leavening mass which will prevent a too drastic drop in rates and should facilitate and expedite a return to present standards soon after business picks up.



WAGE CHANGES—*The cumulative number of employees affected in 13,000 manufacturing plants reporting to the Bureau of Labor Statistics*

Europe's Wage Cuts Are More General, Less Drastic

EUROPEAN NEWS BUREAU (*Cable*)—Europe's way of doing business is different from that of the United States. So are its methods of attacking depression. Wage cuts have been supported, even initiated by its governments. A vigorous policy has brought immediate results. But the indications are that real wages have fallen less than in the United States.

More than 90% of Germany's employed have had to accept wage cuts since early last fall, or have been put on a 40-hour-week basis. With the recent 6% cut for railway men, and 5% for leather workers, the average reduction stands somewhere between 6% and 8%. Labor officials estimate that prices have dropped 7½%.

Economists in Berlin declare the 6% to 8% cut is not sufficient, because the 12% increase in wages between 1927 and 1929 was abnormal, unhealthy. The reduction was extended to all major trades in record time because the government first brought down the cost of living by demanding reduction of retail prices, especially of foods.

With typical Mussolini thoroughness.

forced Italian wage cuts started with government officials. Dec. 1, 1930, was set by decree as the date from which salaries of all government employees were lopped off 12%. More than 500,000 were affected. To compensate the worker, living costs—rents, railway fares, food costs—were arbitrarily ordered down in proportion. Milan says the bottom has been reached.

Britain has had a siege of wage cuts, threats of strikes, and then agreement by labor because of the seriousness of the situation, the example from abroad, and the effect on export bargaining. More than 2 million trade unionists, 1 million office workers, are now affected. Cuts vary from 2½% to 8%. The cost of living, while down, has scarcely kept pace. At both the Trade Union and Labor party conferences, leaders declared that the only alternative to wage reductions is a direct protective tariff. In the meantime, more cuts are due as various wage agreements terminate.

France, last hit by depression, estimates that 750,000 workers have been forced to accept cuts in recent weeks, and another 2 million are working only part-time, but at unchanged wage scales. Because France has not yet backed any substantial policy to reduce rankly inflated prices and the cost of living, employers are meeting solid refusal on the part of labor to accept lower wages, though they are inevitable in the end.

Capital, Like Labor, Is Having Its Wages Cut

CAPITAL, like labor, is having its wages cut. After a long resistance to the depression, dividends and interest have been meeting reductions since the beginning of 1931. And for capital, as for labor, the prospect of smaller pay bulks large in the near-term outlook.

Dividend and interest payments for 1930 ran 15% ahead of those for 1929 according to Standard Statistics figures; dividends alone showed an 11% gain in the New York *Times* compilation. Then came the decline, the extent of which can be computed only approximately because of the differing methods of measurement.

Standard's record of dividend and interest payments together put the January total 1% below that of January, 1930, February 3% and March 4% behind corresponding figures for the previous year. But this relative stability was largely in interest payments, which cannot vary except by repudiation—of which there has been but little—or in change of volume of securities.

Dividend payments began to drop in January, according to Standard Statistics, though New York *Times* figures show a gain for that month compared with 1930 and no sharp decline until March. The 2 records run: January, Standard —8%, *Times* +27%; February, Standard —8%, *Times* +0.7%; March, Standard —9.6%, *Times* —13%. All these comparisons are with 1930 monthly totals.

Trend of Surplus

But the stockholder does not draw all of his annual earnings in dividends. Some portion is withheld in various proprietorship accounts which must be brought into the comparison. As measured by surplus, the most important of these accounts, his total of earnings withheld showed almost no gain in 1930 due to the year's 32% drop in earnings, and to increased dividend payments. Reserves declined.

No measure of surplus is possible for 1931. But reports now forthcoming indicate that first-quarter earnings will show a drop of 18% to 25% compared with the first quarter of 1930 so that many concerns paid part of their first-quarter dividends from surplus. Thus it seems unlikely that the industrial surplus account saw much, if any, rise in this quarter. Companies that have kept dividends up at the cost of surplus are not likely to continue the raid in the face of the continued fall in earnings. Even if surpluses are huge they are also close to sacrosanct in many cases and arguments that they should be cut up to make financial raincoats now that the rainy day has arrived have, so far, failed to exert much influence on policy.

1921 Precedents

The decline in capital's wages has had a more severe beginning than in the 1921 depression, but if that period set a precedent then a considerable further decline is to be expected now. Early in that depression payments dropped. For December, 1920, and January and March, 1921, they ran below those of the same months a year earlier. For February, April, May and June, they ran above 1920 showings. In July, 1921, there started a series of cuts in capital's wages which put every one of the next 6 months below the same month a year earlier. Yet it was in that July that the upturn in business started.

Meanwhile, the rate of direct payment to capital by business should not be confused with the rate of yield to investors

International News

THE "EXETER"—*She joins her sisters, "Excalibur" and "Exochorda" in the "Ex-" fleet of the American Export Line. These 7,000-tonners are in the Mediterranean trade, carry 175 passengers and cargo*

on their capital, determined by the purchase price of securities in conjunction with such payment.

The yield on a representative group of common stocks rose from just below 3% in September, 1929, to a high of 5.75% in December, 1930, declined to below 5% in March and has just gone up again to about 5.25%, the fluctuations following the movement of prices and payments, the latter also affecting prices. The yield record on a representative group of bonds shows a gradual and irregular decline from 4.75% in the fall of 1929 to 4.4% at present. That on preferred stock has hung close to the 5.5% except during the December, 1930, break. Mortgage yields cannot be measured, but the numerous defaults are likely to have brought declines. Short-term money in a borrower's market yields from 1½% to 3%, lowest return in many years.

Jobs for Thousands Open, Farms Take Unemployed

Accelerated public building and road construction programs, slightly improved industrial employment; continuation of the movement of unemployed from urban areas to farms are among the more encouraging items reported by Department of Commerce.

Opening of the navigation season on the Mississippi and the Great Lakes has provided additional employment; many more jobs are in prospect. After Apr. 15 many thousands of jobs will be available at Chicago; at Buffalo about 5,000 men will be taken on after May 1; hundreds more will be required for boat crews made up at Detroit, Cleveland, and other lake and river ports.

Diversification Noted

Farm activity in the South and Northwest is increasing rapidly. In the Memphis area, sales of seeds, fertilizers, garden equipment, and small tools has more than doubled over last year. Wheat acreage planted in Minn. ota, North and South Dakota, Montana will be nearly 3 million acres less than in 1930; smallest acreage since 1910. Diversification should open new markets for supplies and equipment.

In the Philadelphia district, trade unions report 15% to 20% increased employment among skilled and unskilled workers in textiles, foods, printing, paper, chemicals, leather, shoes—virtually all industries except building.

Recent gains in Chicago of steel, radio, furniture, automotive accessories have been held; are expected to improve still more. Cement awards for 6 million barrels for highways are pending.

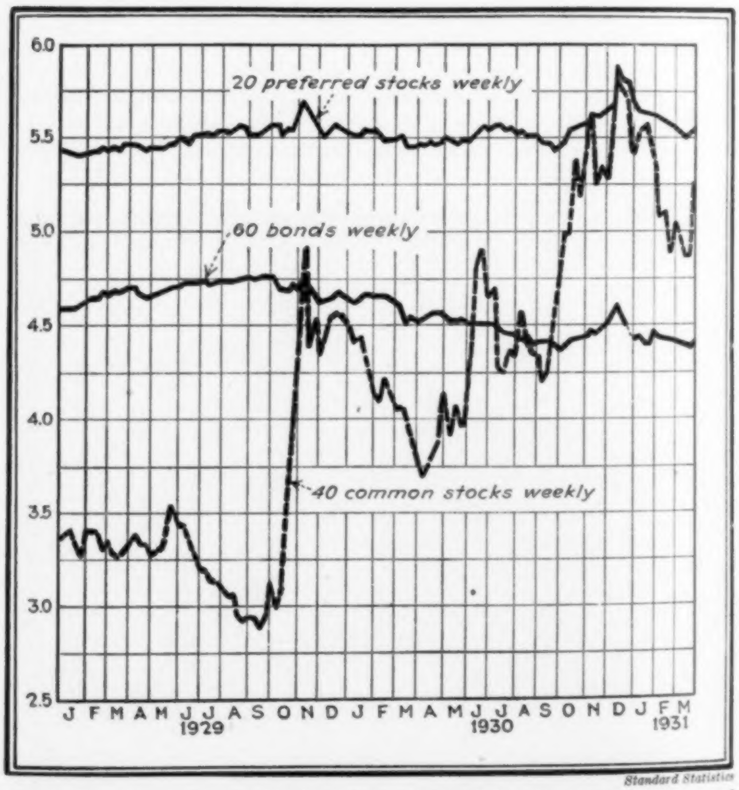
The American Institute of Steel Construction reports that since the opening of spring construction hours of labor, number of working days per week, and total payroll of member firms have consistently increased and, if continued at the present rate, will be back to normal by early summer.

Home Building Shows First Upturn Since 1928

During February and March residential construction contracts made the first definite upturn since 1928; justified optimism of forecasters who have looked to this type of building to hold up private construction totals during 1931. Residential contracts reported to F. W. Dodge Corp. totaled $234 millions for the first quarter 1931. This was only $9 millions below the same period of 1930, although January, 1931, contracts were $12 millions below those of January last year.

Sears, Roebuck & Co. is particularly optimistic for its Home Construction Division; reports increased building in Middle Western states despite a 65% decline in total residential construction. Inquiries received in Chicago indicate continued slight pickup during early months of 1931; compel the establishment of separate building and loan facilities in several cities.

Residential building costs have declined from 18% to 20%, Sears, Roebuck finds; more in the Middle West than in the East. Architectural trends are moving toward more conservative and practical designs; Colonial, English cottage, and modern Elizabethan designs are replacing in popularity the "gingerbread" houses so common a few years ago. Among the 2,500 homes built by Sears, Roebuck during 1930, more than $5 millions were built to the customer's own designs.



Yields on Securities—*Preferred stocks and bonds show their usual stable return. Common stock yields fluctuate considerably; dividend cuts in this group are offset somewhat by falling stock prices*

Keystone

GUM TRADER—*William Wrigley, Jr., has traded chewing gum for Canadian wheat; now he'll swap gum for Southern cotton, a case for a bale. He tried the same experiment 17 years ago—and made money*

Independents Have Fared No Worse Than the Chains

Theory that they have borne brunt of the decline fails to stand up under 1928-30 comparison

OUT of the fact that the annual reports of several national chain organizations have been better than expected has been born a theory that independent business enterprise, particularly in the merchandising field, bore the brunt of the business decline of 1930.

This theory seems to be exploded by the results of a special survey by *The Business Week* which indicates that independents not merely held their own, but in some specific instances fared better than the chains.

Inventories Cut

In the department store field over 300 independently operated stores reporting their figures for 3 successive years to the Controllers' Congress of the National Retail Dry Goods Association show average 1929 sales volume but 2.08% higher than 1928, their 1930 volume only 6.7% lower. Their inventories at the end of 1929 were already 5% less than in 1928 and had dropped 22% below the 1928 high at the end of 1930.

Montgomery Ward & Co., with a chain of 532 stores at the start of 1930, showed practically the same loss in sales volume (6.5%) against the only comparable year, 1929, while its inventory dropped 23.4% during 1930. Sears, Roebuck & Co. showed for 1930 a decline of 11.4% in sales volume, a drop of 22.8% in inventory, although 27 new stores opened during the year are included in this compilation.

W. T. Grant & Co., selling goods in a range of prices that justifies comparison with department stores, records 1929 sales per store 10% below those of 1928; 1930 sales per store 18% lower. Its total inventories per store during 1929 were about equal to those of 1928; during the 12 months of 1930 they averaged 28.1% less than in 1928.

Food Sales Increase

In the food field, oldest and most important battleground of chains and independents, interesting comparison is made possible through figures obtained by the National Wholesale Grocers Association. Fifty-odd wholesale grocers located in 21 different states, representing over $100 millions in annual sales, averaged in 1929 a sales volume 4.3% above 1928; in 1930, still show a gain of 0.73% above 1928, although prices registered average declines of over 10% between 1928 and 1930. Their inventories at the end of 1929 were 1.1% higher than for the year previous, while at the end of 1930 they averaged 6.46% lower than in 1928 against the slightly higher dollar sales volume for 1930. And the records of these wholesalers inevitably reflect those of their customers—the independent retail grocers.

New Units Add Volume

Comparable with these national figures, The Great Atlantic & Pacific Tea Co. increased its 1929 sales 8.3% over 1928 but opened during that year 241 new units. For 1930 it showed a 9.2% increase over 1928 with 550 more new units. A. & P. inventories dropped approximately 3% during 1929; in 1930 they fell about 15% below 1928 record high.

Pacific Coast wholesale grocers showed in 1929 an increase of 14.2% over 1928, and an increase of 10.18% in 1930. Their inventories ranged 10% higher at the end of 1930. The A. & P., operating extensively in the same territory, reports inventories there decreased nearly $10 millions in 1930, this representing substantially the company's total reduction of inventory investment in all of its 15,737 stores.

Western Grocers

Central Atlantic and Mid-Western wholesale grocers report 1929 sales 4.70% above 1928 and 1930 sales average 2.02% higher. Inventories at the end of 1930 were 9.5% below the average for 1928 and 1929. Kroger Grocery & Baking Co., also operating in those territories, with comparable figures available only for 1929-30, shows a decrease of 6.8% in volume, a loss of over 9% in inventories.

Independents Held Ground

A study made by the *Progressive Grocer* covering 2,707 grocers similarly indicates that independents held their ground, for 34% showed an increase in sales, while the loss of volume for the entire group was only 3%.

In the drug field, independent wholesalers report total business during 1930 only 10% lower than in 1929, while independent retail drug stores report 1930 sales volume ranging from 85% to 100% of 1928 records with inventories not materially reduced.

Confectioners have experienced declining prices since early 1929, find average dollar sales up 3%, tonnage 9% higher.

Credit Control Is Secret Of German Radio Success

IRONBOUND control of purchasing, sales, credits has enabled J. W. Hidding, Germany's largest radio retailer, to show a steady increase in sales at a satisfactory profit while, during the last 2 years, 60% of the Reich's radio dealers have been going bankrupt.

His several retail radio stores in Berlin and 40 agencies in the provinces—trade name, "Radio Web"—made sales or over 3 million marks in 1930.

Chief secret of Radio Web's successful survival is, perhaps, its control of credit sales. Outstanding credit sales of all stores must never exceed volume of cash business. As unfavorable economic conditions have brought an increase in the number of instalment buyers, length of payment periods allowed such buyers has been progressively reduced from 12 months, 2 years ago, to 6 months today, in order to hold the established balance between credit and cash business.

Radio Web's own purchases are handled with the same strictness. To insure almost automatic provision of funds with which to pay manufacturers at the end of a fixed period of 4 months after date of invoice, commitments are so placed that they shall never exceed the total amount of customers' time payments maturing somewhat prior to the due date of obligations to manufacturers. Comprehensive daily reports from all stores have made it possible to operate this system without hurting sales.

Depression-Born

Radio Web's plan of safe credit control is a direct product of Germany's financial depression. Formerly, insurance companies provided the funds for financing time payment sales. Their losses during the early months of the depression forced most of them out of this field, which eliminated radio makers and dealers in large numbers. Surviving manufacturers found surviving dealers demanding longer credit terms on hand-to-mouth purchases. Herr Hidding's provision of a dependable outlet, insured payments within 4 months, and an effective system of preventing credit losses has induced suppliers substantially to finance his instalment selling operations.

The Business Week

J. W. HIDDING—*The executive director of "Radio Web," Germany's largest radio dealer, spends 6 weeks investigating American business and methods*

Gillette Builds a New Fence Around Its Blade Business

WHILE probably many kinks resulting from the Gillette-AutoStrop merger (*BW—Nov11'30*) are yet to be straightened out, the Gillette Safety Razor Co. has made a significant move to consolidate its position. This takes the form of another attempt to fence in the profit-making renewal blade business through a new design of razor and blade.

A buyer of one of the new Gillette or Probak razors will find either its cap or guard plate equipped with oddly shaped numbered lugs for locking the blade in position. If he buys a second razor, it will probably have a different set of lugs, for these new razors are being produced in a wide variety of lug patterns and positions.

One for All

The point of the company's new venture in exclusiveness is that one blade fits them all; that theoretically no one can make a "pirate" blade that fits more than one of the combinations without infringing the patent. And obviously no one will find it profitable to make a blade fitting just one of the combinations, particularly since no one type will be confined to a single marketing area, Gillette plans calling for a thoroughly mixed distribution of the various patterns.

Thus the company hopes to corral the most profitable end of the business, a large volume of which, in spite of strenuous efforts, has gone in the past to many other blade manufacturers.

Prices Unchanged

Shipments of the new line of razors and blades to dealers and distributors are to commence May 1. Prices are to remain the same as on former models: $1 list on the razor, 50¢ for pack of 5 blades, $1 for a pack of 10. Dealers are expected to give exceptional cooperation in marketing the new line because the manufacturer's presumably strong patent position promises them a better opportunity to make a profit.

At present no spectacular advertising or promotional campaigns are planned. Eleven million old style Gillettes were distributed during the 1925 Gillette-Palmolive campaign. Twenty million "new" razors were scheduled for "deal" distribution with Colgate-Palmolive in the 1930 campaign (*BW—Aug6'30*) Thousands are still in the retail market offered in "deals" or sold singly with one blade for as low as 12¢.

Rise in Cigarette Price Will Aid the Retailer

UNITED CIGAR STORES CO. and A. Schulte announce another attempt to put sales of popular cigarettes on a stop-loss basis, have advanced prices on packages of 20 to 15¢, 2 packages for 27¢, expect others to follow suit.

The cigarette price war undoubtedly has proved profitable to the manufacturers but costly to retailers.

Wholesale list prices were increased to $6.40 per thousand in October, 1929 (*BW—Oct12'29*), have not changed since, except that direct buyers take a discount of 10% and 2%, bringing the net to $5.645 per thousand (*BW—Feb4'31*).

Small dealers could not make expenses at 13¢ per pack, 2 for 25¢. With the new scale starting at 15¢ per pack, dealers are expected to show more interest. An average increase of 5% in prices of cigars, pipe, and chewing tobacco has also been effected.

Utilities, Divided on Sale Of Appliances, Watch Test

FOLLOWING enactment of laws in Oklahcma and Kansas barring electric light and power companies from selling household electrical appliances (*BW—Apr1'31*), the large utility groups are busy determining policies to be followed in other states where they face the threat of similar legislation sponsored by electrical dealers, contractors and retail merchants. Several utility groups, it is understood (notably the Byllesby and Electric Bond & Share), have decided to withdraw from the appliance field in states where such laws are passed without fighting the legislation in the courts. The Middle West Utilities Co., on the other hand, is understood to be one of the groups that have determined to fight for the right to continue selling appliances.

The California Experiment

Meanwhile, the utilities, fearing that if they retire from the selling field the increase in the demand for energy will slow up, are watching the test in Long Beach, Calif., where the Southern California Edison Co. retired from retail merchandising in October, 1930, to give dealers 15 months to demonstrate what they could do (*BW—Dec3'30*).

So far the dealers involved in the experiment have not met with any exceptional success. Up to Feb. 1 they had sold only 72 ranges of the quota of 300 set by the power company for the first quarter of the trial period. They were handicapped by bad business conditions and a lack of public acceptance of cooking by electricity.

Pro and Con

Despite their discouraging results so far, dealers are confident they can accomplish their task before the expiration of the test period. The jobbers, distributors, manufacturers and the power company feel that Southern California Edison will have to step in with material assistance if a satisfactory energy load is to be built. Manufacturers of electric water heaters and heavy-duty air heaters feel that they will be out of the picture unless the power company will actively promote and sell these devices.

Portable Oil Burner Also Demonstration Unit

AN unusual development in oil burner sales strategy is the Summerheat portable unit which can be taken into a prospective customer's cellar and demonstrated on his own furnace. The unit is of aluminum construction, weighs less than 125 lbs.; it carries a 36-hr. supply of oil in 2 interchangeable bottles; automatic control is obtained by a portable thermostat.

Many Advantages

For permanent installations, this new product of Summerheat Corp., Dowagiac, Mich., can be connected with a regular 275-gallon basement tank —the bottles still being useful to provide an emergency supply against a fireless week-end. The demonstration unit, as is, can also be employed to serve fall and spring heating requirements, to provide hot water in summer, to meet the needs of renters who do not want to make permanent installations. The entire unit is secured to the fire door of the furnace, opens with it so that, if desired, the regular fuel can be burned or the furnace used as an incinerator.

It is supplied in 1 size and 4 models to suit all home sizes and all types of heating plants—steam, vapor, water, or warm air. The unit has been approved by Underwriters Laboratories, Inc., for use with Nos. 1, 2, and 3 oil and West Coast Diesel oil.

Paraffin, Long Fought, Now Used as Lubricant

SYNTHETIC lubricating oil—made from paraffin wax, the petroleum constituent which the oil industry has spent millions of dollars to remove from lubricants—is the latest addition to the long list of products on which chemical research has improved over nature.

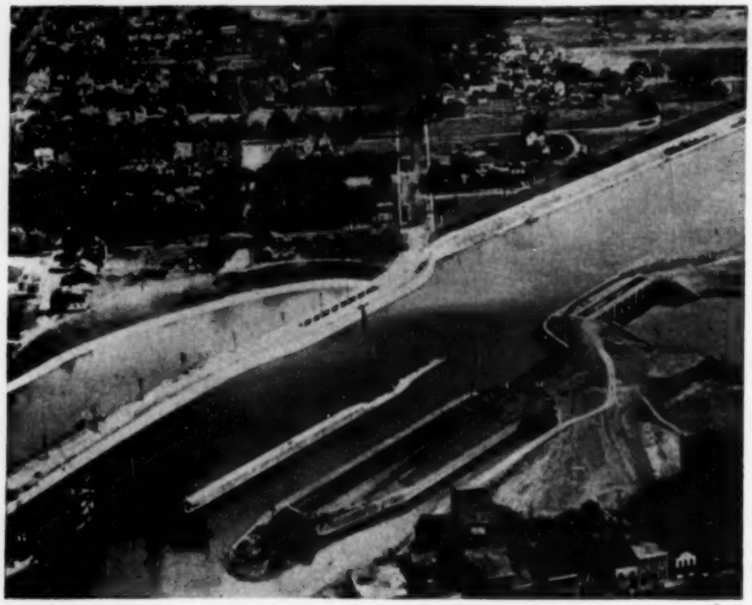
At a recent meeting of the American Chemical Society, engineers from Standard Oil Co. of Indiana described a new synthetic lubricant which combines: high resistance to oxidation and sludging; very low pour test; low volatility or evaporation tendency; more resistance to temperature changes than any known natural oil. The last property prevents the oil from thinning or losing its body under high temperatures; prevents excessive thickening in cold weather.

Still Expensive

Cost of materials and processes make the new oil expensive but it is being made commercially for many uses where requirements are unusually severe. Typical are gear shifts and shock absorbers for automobiles and airplanes where a minimum of change in viscosity with temperature changes, absence of solidification at low temper-

Wide World

OIL KNOWS NO BOUNDARIES—*Well derricks are more plentiful than trees in some sections of Los Angeles, but even residents are impressed by this well in full operation in the middle of La Cienaga Boulevard*



Acme

Canada's New Canal—*The new Welland Ship Canal will affect the commerce of the whole continent. The old canal limited draft to 14 feet; vessels drawing up to 25 feet can use the new one. Here is the place at Welland, where the river is siphoned under the canal*

atures, and maximum stability are important.

The new oil is obtained by cracking paraffin wax in much the same manner that crude petroleum is cracked to get gasoline. Technically the new process is the result of polymerization, by aluminum chloride, of certain olefines which contain 2 atoms of hydrogen to one of carbon with the carbon atoms arranged in long chains. "Olefines" are unsaturated hydrocarbons like ethylene—"unsaturated" meaning that they can combine with certain other elements without producing a side product. "Polymerization" means changing one substance to another of the same elements, used in the same proportions, but of higher molecular weight.

Cars Junked = Cars Sold; Manufacturers' Plan Helps

Nearly 3 million motor vehicles were junked during 1930, according to the National Automobile Chamber of Commerce. Domestic sales of cars and trucks last year totaled nearly 3 million. But registrations increased only 22,000 over 1929. Apparently, for every new vehicle sold another was thrown on the scrap heap.

The N.A.C.C. Highway Safety Program, by which manufacturers establish reserve funds to aid dealers in scrapping cars *(BW—Jan15'30)* accounted for about 350,000 of the junked vehicles. Manufacturers representing 87% of total production have adopted the plan. Countless other cars were scrapped by dealers who were not compensated by manufacturers. Probably the greatest number are just being abandoned by their owners in vacant lots.

Motor Company Bids For 90,000 Buyers

An unusual distribution and financing hook-up has been arranged by Jordan Motors Corp. (to take over Jordan Motor Car Co.) by which the Brotherhood of Locomotive Engineers gets a 5-year option at $10 a share on 30,000 of the 300,000 shares of no-par common stock just issued by the new company, in return, presumably, for preferential markets among union members.

Dealers will attend union meetings to provide direct merchandising contacts with its 90,000 members. Group buying support expected from this arrangement will aid the company in its efforts to reduce overhead and advertising expenses. The brotherhood has had many unfortunate financial ventures during recent years; hopes to recoup some of its losses by exercising its option when a market advance appears. Meanwhile, the brotherhood has not officially accepted the plan, hopes none will buy the stock through belief that the union stands behind it.

The new concern will assemble and sell a new line of cars at around $1,300. Contracts with makers of motors, parts, and accessories are expected to keep development expenses down; dealers will be given competitive discounts and a junking arrangement.

2 Biggest Cargo Ships Added to Ford Fleet

Two 300-ft. cargo ships, the largest ever built for service between the Great Lakes and the Atlantic seaboard, soon will go into service in the Ford Great Lakes fleet.

The boats will be all-steel with collapsible superstructures to afford clearance when the ships are passing under bridges. They will carry parts from Rouge to the new Edgewater, N. J., assembly plant and also to the Pacific Coast assembly plants via the Panama Canal.

Ford's Great Lakes fleet during 1930 carried 2,785,396 tons of freight, exclusive of lumber and grain. The Henry Ford II and Benson Ford, each of 13,000 tons capacity, were principally engaged during the year in carrying coal and iron ore.

The coal was hauled by rail from the Ford mines in Kentucky and West Virginia to Toledo and transferred to boats for shipment to the Rouge plant, coal storage docks at Duluth, and Ford sawmills at L'Anse, Mich. Returning, the Ford ships brought iron ore from Superior or Ashland, Wis., and Marquette or Escanaba, Mich.

Commission Reverses Mitchell on New River

In its first important ruling, handed down Apr. 3, the new Federal Power Commission denied the Appalachian Electric Power Co. a minor-part license for construction of a plant on New River near Radford, Va., offering the company instead a standard license. A minor-part license would have exempted the company from the accounting, valuation and recapture provisions of the Water-Power Act. In taking this stand, the commission reaffirmed the contention of the former tri-departmental commission originally issued in 1927.

The decision reverses the opinion given by Attorney-General Mitchell last September at the request of Presi-

dent Hoover in which the law-officer declared that the New River project was of the character to which minor-part licenses apply.

Had the new commission decided the other way, enhanced interest would have attached to the senatorial attempt to force George Otis Smith from the chairmanship of the licensing body.

The fact that Mr. Smith has disagreed with the Attorney-General and, in the exercise of impartial and independent judgment, taken a stand undoubtedly dictated by his convictions but none the less certain to please the protesting Senators may possibly cause the agitation over him to take on a somewhat perfunctory aspect, it is believed.

Interstate Compact to Control Output of Oil Wins Official O.K.

A PLAN for a compact among oil-producing states which, with Congressional approval, would permit uniform regulatory laws and equitable distribution of output was presented Apr. 9 to the Federal Oil Conservation Board by the Governors Oil Stabilization Committee and was approved by Secretary Wilbur.

The plan, discussed at the recent oil conference at Texarkana, would permit a central body to estimate probable requirement for crude oil and its products, would allocate this total among the several oil-producing states, and would have some policing power—price-fixing has been suggested but is frowned upon by the Department of Justice—with which to keep production and refinery runs within reasonable limits.

Through the Conservation Board's Voluntary Committee on Petroleum Economics, future demand and supplies already are being estimated; from Apr. 1 to Sept. 30 gasoline demand is estimated at 252 million barrels—0.8% less than the same 6 months of 1930; crude oil demand is estimated at 445 million barrels. Some method of enforcing adherence to these estimates is the chief need which the proposed interstate compact will fill.

Dispute on Imports

At the conference, Carter Oil Co., a Standard of New Jersey subsidiary, precipitated a battle between oil importers and domestic producers by asserting that import restriction must be a permanent accessory to any coordinated proration plan. This brought an implied threat from Pan American Petroleum & Transport Co., Standard of Indiana unit and a leading importer, that import restrictions will continue only while domestic output is held down. It was pointed out that while imports have been cut one-third domestic output has increased 175,000 barrels a day.

Having received general approval of the proposed plan from the Oil Conservation Board, the oil men will next attempt to get legislation passed in their respective states so that Congress can be offered something definite for its approval at the coming session.

War Helped Alcohol Sales; Peace May Restore Profits

THE industrial alcohol war that brought quotations down to the lowest in many years (*BW—Apr8'31*) is over. The new price is 24¢ a gallon in tank cars, 27¢ in drums, compared with the previous 19¢ and 23¢. Just before the outbreak, tank cars sold for 37¢, drums for 39¢ a gallon.

Stocks Reduced

Large quantities of alcohol are believed to have been contracted for at the low rates. This does not augur so well for the producers' earnings this year, but it means at least a reduction in the large stocks—accumulated, despite a 30% cut in production last year, as a result of the mild winter—which have had an unsettling influence.

The outlook for industrial alcohol companies this year is not encouraging. Though prices have been advanced above their recent lows, their present level is not considered sufficient for profitable production. It is estimated that a rate of at least 30¢ a gallon is necessary to bring a profit. Recovery to this level, however, will depend upon the forces of supply and demand. The effect of lower prices has been to stimulate consumption, and because of the increasing demand it is expected that this year's output of alcohol will be greater than in 1930. An upturn in the alcohol industry is looked forward to in 1932.

Acme

WORLD'S BIGGEST LIFT—*These triple-twin locks at Thorold have an individual lift of 46½ feet, 14 feet greater than Panama. The 326-foot rise between Lakes Erie and Ontario is overcome with 7 locks; the old canal used 26. The new canal will be ready in the spring*

The "Russian Question" Becomes 3 Questions—All Startling

Answers sought by International Chamber of Commerce may furnish fireworks for Washington meeting

LONDON (*Radio*)—Big business in a dozen world capitals opened the morning's mail with a start recently. Reposing under the dignified letterhead of the International Chamber of Commerce, were 3 startling questions:

(1) Are you willing to supply detailed information regarding your imports from Russia?

(2) Would your country agree to concerted international restriction of credit granted to Russia?

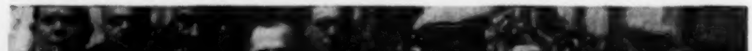
(3) Are you willing to discuss in contact with other countries a joint international prohibition of imports from Russia?

And after the questions: "Strictly confidential."

Mr. Bron's Invitation

No one is just certain how long the questions were treated confidentially. London knows that very stout, treble-chinned Saul Bron, chairman of Arcos (Russian trading organization for Great Britain) issued an invitation to members of the Russo-British Chamber of Commerce to discuss a "matter of great importance"; that, with an over-brief introduction he completely upset British equanimity by reading the questions, implying their importance in future business dealings. Part of the audience abruptly left the hall. Of those who remained, no one raised a question. The meeting dissolved.

Repercussions have been submerged in an atmosphere almost as "confidential" as the original questions. Members of the Chamber refuse to talk for fear they will be accused of letting the news leak. Having, by report, organized the questionnaire — wholly unofficially and as a personal accommodation to Sir Arthur Balfour, who (also, by report) will speak on this subject at the Washington meeting of the International Chamber in May, Chamber officials have little to say.



Acme

FUR SALE—*The international auction at Leningrad attracted buyers from all over Europe and America. The visitors paid high rates, but enjoyed the best of accommodations. Furs are Russia's third greatest export*

The commercial world is not deceived by the fact the questionnaire comes out of London. Nor is it perturbed to find that the International Chamber is connected with the move. France, headquarters of the Chamber, and Belgium, home of this year's president, are the 2 countries of Europe which have taken a definite stand against Russian imports. Britain, despite export credit in 1930 of nearly $25 millions granted to the Soviets, has strong anti-soviet agitators, may swing to the side of France if the Labor government falls and certain Conservative leaders come into power.

Other countries have an interest at stake. Germany and Italy have trade agreements with Russia, are piling up unemployment-consuming orders (*BW—Mar25'31*), expanding Soviet credits. Despite alliances with France, both Czechoslovakia and Poland are carrying on considerable business with Moscow.

Dumping Clouds

The United States, hosts to the International Chamber this year, is expected to react vigorously to any Russian discussion. When trim, diplomatic Silas H. Strawn, chairman of the American Committee of the International Chamber, returned from the council meeting in Paris in December, it is recalled he said: "Perhaps the most ominous cloud that overhangs the whole economic world is the dumping on world markets of large quantities of grain, raw materials, and semi-finished products by Soviet Russia, at prices less than the normal costs of production."

Sir Arthur Balfour, British chairman, discussed the Russian situation in detail at the Paris meeting, emphasized in particular the large exports which have recently been dumped on the British market, admitted that the Five-Year Plan was likely to succeed, predicted that a successful industrialized Russia would be a worry to world trade.

Where Pop the Question?

Preliminary programs for both the United States Chamber of Commerce and the International Chamber meetings have been published. Neither lists Russia in the program. The International Chamber, however, will discuss "Factors Affecting the Trade and Industry of Europe and the United States," at which time the Russian question might well be introduced.

There is an unhealthy uncertainty about the whole question of Russia just now which not even the Austro-German customs excitement, the fresh Franco-Italian sputterings, or the promise that Gandhi will visit Broadway can dispel. Secretary Stimson's secret researches,

rumors of dapper Montagu Norman's interest in an international credit bank to finance Russian business, the convict labor question in Soviet lumber camps, are indicative of the widespread importance of the problem. Perhaps the International Chamber could accomplish nothing more important than a complete airing of the Soviet-international questions.

Britain Gets the Control; We Still Have the Potash

OUR national aspirations for a domestic source of potash owned and controlled by American interests (*BW—Feb25'31*) have been hit by the acquisition of control of our newest and most promising potash source by British interests.

Five years ago, Snowden & McSweeney, petroleum engineers, drilling for oil in Eddy County, New Mexico, discovered huge deposits of sylvinite, an ore from which potash can be obtained with almost no processing. United States Potash Co. was organized to exploit them. Its control has now passed to Pacific Coast Borax Co., subsidiary of the British Borax Consolidated, Ltd.

There are Washington rumors that it is all a dastardly plot for a British monopoly of those potash supplies outside the Alsace-Lorraine deposits now jointly controlled by Germany and France. It is pointed out that our other most important domestic potash supply is provided by the British-owned American Potash & Chemical Co.

A Logical Step

But the chemical industry looks upon the move as a logical competitive step only. It notes that Borax Consolidated has been working borax for years, first in Chile; later, the Death Valley deposits of the Pacific Coast have been developed by Pacific Coast Borax into the radio-famous "20-mule team borax" of trade.

When American Potash & Chemical Co. developed the natural brines of Searles Lake, Calif., it obtained borax along with potash; was able to give Pacific Coast Borax strong competition in its own product. Now Pacific Coast Borax has turned the tables by acquiring potash supplies so that it can compete with the Potash & Chemical Co. on a more equitable basis.

According to the chemical interests, the fact that both parties to the controversy are British-controlled need not worry us; we have the potash which is our chief desire; let those who will argue over profits.

Mosul Oil Production Is No Longer Just a Threat

ANOTHER threat to world stabilization of the petroleum industry is seen in the final agreement over the Mosul oil fields in northern Iraq, and the determination to start construction at once of pipe lines to tap this potentially prolific source of oil.

Controversy between Great Britain and France over the location of the Mosul pipe line has been definitely settled by adoption of 2 outlets—in Tripoli, under French mandate, and in Haifa, in British controlled Palestine (*BW—Feb25'31*).

Over protests of American and British interests, France won its fight for immediate exploitation although the first pipe line branch, to Tripoli, will not be completed for 2 years.

Establish Refinery

Anticipating Mosul development, the French Chamber of Deputies legalized the French Petroleum Co. to which the French 23¾% interest in Iraq Petroleum Co. (Mosul concessionaire) has been ceded; set up a national refining industry to handle Mosul oil. Changes have been made in the original plans so that American and British concerns with heavy investments in France can continue operations without undue jeopardy.

Since the first well was drilled in the Iraq petroleum concession in 1927, about $18 millions have been spent there in development work; by the time oil is flowing through the 2 pipe line outlets some $500 millions will have been spent. For the concession, the Iraq government receives 4 shillings per ton on unrefined oil produced, an annuity of $1 million, and a $1-million loan without interest, to be repaid only if royalties exceed $2 millions a year.


International News
TOVARISH—*John Randich, of Chicago, went to Russia as a toolmaker, remained to be elected a member of the district Soviet (committee). Another American and 2 Germans were also elected*

I.C.C. Sees Much Rail Men Can Do To Check Declining Business

Reduced fares and store-door delivery would solve bus, truck competition, is contention

THE determination of the railroads to tackle some of the conditions that are causing traffic and revenues to shrink and, incidentally, putting the market value of rail securities down to low points, is viewed with satisfaction by the Interstate Commerce Commission, it is learned by *The Business Week*.

Smarting under the criticism of rail executives who are inclined to lay much of the blame for their present plight at the door of the commission because of what they regard as its "unsympathetic" attitude toward such matters as rate increases and its "whittling down" of the freight rate structure, the I.C.C. has insisted that the salvation of the railroads is in their own hands. The inference is that the commission helps those who help themselves.

The commission's attitude is known to be as follows: The rail carriers can meet bus and truck competition successfully by reducing passenger coach fares in disputed territory and by establishing pick-up-and-delivery service of

Wide World

CUT AND FILL—*How the Western Pacific Railroad's new line is being blasted, chopped, and dug through the mountains of California. Here the grade is nearly completed, ready soon for the ballast and the rails*

freight. Reports received by the commission are said to indicate that where railroads have cut coach fares to the level of the bus the results have been favorable as to revenue. Concerning pick-up-and-delivery service, the railroads can go the "independent" truckers one better by offering even speedier service over longer hauls. The public (the commission believes) still prefers to use the rails and, in fighting bus and truck competition, the carriers are on the right track, but they should not set up highway services to compete with their own rail lines. Such service should be supplementary to, and in co-ordination with, that given by rail. There is no profit in establishing parallel motor facilities to drive out competitors.

Labor Big Item

Those railroads will fare best which determine what, and how much, traffic they can handle profitably and then spend that profit on the railroad where it was earned, the commission believes. It supports this view by pointing out that the labor cost of handling traffic by rail is only a fraction of the cost by motor, although wage rates on the railroads are considerably higher.

The I.C.C. is understood to feel that despite truck competition on some traffic the railroads still have an opportunity to raise rates and are being too timid about it. The roads have been officially invited, in one instance at least, (after the commission had rejected the general increase sought by Western roads) to file pleas for higher rates on specific commodities, but the carriers took no action. In general, the commission indicates that the railroads lack cohesion, if not actual courage, in the many and involved details of rate adjustment.

Transportation authorities, supplementing these comments, point to the fact that, until the recent exposure of the price the roads are paying for steel rails, executives in the railroad field evinced little interest in the matter, yet the price of $43 a ton has caused the roads to pay $18 millions a year more than current prices would warrant (*BW—Apr8'31*).

Should "Sell" Service

It is also felt that the carriers might do more in "selling" their passenger service. A few roads are doing effective work in this matter, but the actual study of markets by recognized sales managers is unknown in rail circles. The men in charge of railroad traffic departments often have graduated from rate desks; they have never been salesmen and have never felt the need for studying salesmanship. They do not resemble the familiar sales manager of other industries.

Transportation observers also believe that much might be done in the way of cutting out deadwood in the shape of unprofitable branch lines (this of course, is subject to the I.C.C.), modernizing motive power and speeding up both passenger and freight service.

All authorities, official and unofficial, agree that "something must be done."

The Railroads Are Satisfied With Their Bus Line Profits

Highway service is, at least, keeping fares in railroad pockets, replacing some costly train runs

RAILROADS have gone into the long-distance motor bus business to such an extent that they now operate, directly or indirectly, 35,000 miles of route (more than one-tenth of their total main track mileage), a survey by *The Business Week* reveals. It is now possible to go in a railroad bus from New York to such distant points as Chicago, St. Louis, and Louisville; from Portland, Ore. to El Paso via San Francisco, Los Angeles, and Phoenix, Ariz.; from Chicago to the Twin Cities, Duluth, Omaha, and Denver; from the Atlantic to the Pacific with only 3 or 4 changes.

Most of the highway service duplicates rail operations; is run to keep in railroad coffers the money that was going in the pockets of "independent" bus companies. The low rates (usually less than day coach fares) that are the chief attraction on the long bus lines are maintained by the railroads. In a majority of cases, roads have either bought outright companies already existing or have acquired financial control of them.

Chiefly active in the field are the Pennsylvania, Union Pacific, Southern Pacific, Missouri Pacific, Chicago & North Western, Great Northern, Burlington, St. Louis Southwestern (Cotton Belt), New York, New Haven & Hartford, and Boston & Maine, the last-named being the first railroad ever to run a motor bus.

Pennsylvania's long distance highway

They won't let him sleep!

Poor fellow! He just isn't cut out to do a successful Rip Van Winkle.

The thing that keeps him awake is the knowledge that families are growing up and scuffing out their shoes and wearing out their clothes and continuing to need a whole lot more of everything—tires, gasoline, food, washing machines, irons and homes.

But then American Business never did sleep soundly or long. History proves that. But—

Other days, other depressions. Recently we have been experiencing something quite different in the way of depressions.

The fact is, we are living in a machine age. Production may rapidly become over-production. We can throw a switch and flood a market. And so it looks as if we have got to awaken pretty definitely to: (1) the balancing of production with consumption, and (2) the *keeping* of the two in balance by the only force that will keep them there: ably-managed distribution.

Distribution is the key to the awakening, individually and collectively. For the large-scale buyer, it can remove the great burden of supporting an unnecessary private warehouse. It can concentrate reserve supplies where they can be most economically and strategically concentrated — in great, central warehouses that serve as reservoirs for all industry.

A great distributing system can make it easy for the buyer to bridge the time-and-space distance to his sources of supply. And, by the same token, can make it possible for industry as a whole to close up the gap between production and consumption.

Or to put it another way:

The efficient distributor can help restore American Business to an up-and-coming attitude.

Alert students of the far-reaching interrelation between the two great forces of business life — Production and Consumption—are coming to attach more and more importance to the vital connecting link between the two — Distribution. As the nation's foremost distributor of electrical products—bridging the gap between the leading manufacturers and an army of consumers everywhere — Graybar functions to achieve and maintain economic stability along truly scientific lines.

GraybaR
ELECTRIC COMPANY
GRAYBAR BUILDING NEW YORK, N. Y.

DISTRIBUTORS OF 60,000 ELECTRICAL ITEMS THROUGH 77 DISTRIBUTING HOUSES

operations are typical of other railroad-bus set-ups. The road, through affiliations with the Greyhound Corp. (holding company for 8 groups of long distance bus lines operating in every section of the country) runs 8,000 miles of highway route, only 2,000 miles less than its total railway mileage. Last January, the Pennsylvania-Greyhound Lines, Inc. was formed to "head up" Pennsy's bus activities. The American Contract & Trust Co., a Pennsy subsidiary, owns 50% of the company and the Greyhound Corp. the other 50%.

Operations Show Profit

Routes extend from Philadelphia and New York west to Chicago and St. Louis, south to Louisville and Washington, and north to Detroit and Buffalo. Operations have shown a substantial profit. According to John F. Deasy, vice-president of the Pennsylvania, the lines grossed $6,725,000 in 1930. Expenses were $5,869,000, leaving a net available for dividends of $856,000.

Other operations of a similar nature:

The Southern Pacific owns a ⅓-interest in the Pacific Greyhound Lines which operate 576 buses over 8,661 miles of route from Portland, Ore., on the north to El Paso, Tex., on the south, via San Francisco, Los Angeles, and Phoenix. S. P. also owns a ⅓-interest in the Southland Greyhound (147 buses, 3,000 miles) which operates chiefly in Texas territory.

Union Pacific and Chicago & North Western own jointly the Interstate Transit Lines (275 buses, 7,600 miles). Principal routes are from Chicago to Omaha, Omaha to Denver, St. Louis to Kansas City, Chicago to Los Angeles. U. P. holds a ⅔-share in this operation; North Western a ⅓.

Parallel Own Tracks

The Missouri Pacific, sole owner of the Missouri Pacific Transportation Co., runs 190 buses over 4,000 miles of route in 6 Southwestern states. M. P. bus routes parallel the tracks from Omaha to St. Louis to Memphis and Little Rock, to Texarkana, and (by connections) to New Orleans.

The Great Northern, one of the first railroads to enter the intercity bus business on a large scale, owns a 40% share in the Northland Greyhound Lines (150 buses, 3,500 miles), with a network of routes out of Chicago to points in Wisconsin, Iowa, Minnesota, the Dakotas, and Nebraska.

The Cotton Belt, which has made notable progress in rail and highway coordination (*BW—Dec31'30*) now runs 68 buses on long-distance lines covering 2,364 miles of route. Chief runs are from St. Louis to Memphis to Pine Bluff, Ark., to Texarkana, to Dallas, to Las Cruces, N. Mex.

Burlington Has 1,025 Miles

Burlington, with 43 buses, operates 1,025 miles of route in Illinois, Iowa, and Nebraska.

New England cities are connected by a network of bus lines run by the New York, New Haven & Hartford, through its subsidiary, the New England Transportation Co., and by the Boston & Maine. The New Haven, with the Great Northern, one of the first to enter the intercity bus field on an extensive scale, now owns 332 buses operating over 3,180 miles of route in Connecticut, Massachusetts, and Rhode Island. The B. & M. (112 buses, 1212 miles) serves points in Maine and New Hampshire; has replaced train operation extensively with buses.

Altogether it may be said that the railroads are satisfied with the results of their long-distance bus operation to date. While not all of them may be showing a direct profit, the fact that the buses are contributing revenue which would otherwise be totally lost to the rail carriers takes them definitely "out of the red" in the minds of most of their railroad owners.

Airplane-Cycle Delivery Speeds Freight on Coast

AIRPLANE-MOTORCYCLE delivery of packages, now in operation in San Francisco and the East Bay, is the speediest method yet devised for light freight transportation.

Air Ferries, Inc. inaugurated the service. This company has operated successfully an air ferry passenger service between San Francisco and the East Bay region for several years.

About 125 firms have subscribed to the service, which provides delivery of a package of less than 50 pounds, purchased in San Francisco anywhere in the East Bay district, within an hour at a maximum charge of 75¢. A schedule has been worked out for monthly rates for regular daily users.

The company's own motorcycle corps take the packages to the flying field and picks them up for delivery on the other side.

THE BUSES FOLLOW THE TRAINS—*The bus lines controlled by the Pennsylvania parallel the railroad lines, to a great extent over their total 8,000 miles of route. The Pennsylvania's total track route is 10,000 miles*

WORLD'S LARGEST WELDED ROOF FOR SIMONDS PLANT

Color Authorities Designing Color Schemes

Completion of the roof of the new Simonds "controlled conditions" plant at Fitchburg, Mass.—the largest welded roof in the world—has recently been announced by the Austin Company, designers and builders.

Like many of the other innovations in industrial construction which are being employed for the first time in the Simonds plant, this roof has been designed and built by well known engineering authorities assisted by experts on insulation and noise-proofing. The entire roof, which contains over 200,000 square feet, is supported by a welded structural steel frame, made necessary to some extent by the desire to reduce the number of interior columns to a minimum.

A special noise insulating material (a wood product) is laid in layers with a water-proofing compound in such a way that the roof kills noise and vibration instead of acting as a giant sounding board. At the same time it insulates the interior of the plant against heat and cold from without.

The nation's foremost color authorities have been consulted in an effort to obtain for the interior of the Simonds plant the exact colors to promote ideal working conditions. It is a recognized fact that certain colors stimulate workers and help keep them in a cheerful frame of mind.

Machinery in the Simonds plant, for instance, will be painted orange-yellow to increase visibility and thereby aid in accident prevention.

A special column writer for a leading daily paper wrote this limerick when he read about the new windowless factory now being built for the Simonds Saw and Steel Company—

"In short, regardless of the sun
That plant will not depend upon
Outside illumination.
And so it's very plain to see
That making Simonds Saws
Will be a paneless operation."

Could you write a jingle about this amazing new plant? It's easy. Send in your contributions—they'll be welcome.

Popularity of American Match Still Safe From the Safety

Also from the paper light and the fancy lighter; but Europe can beat us on stems and costs

An anti-dumping order exploded under Russia's coat tails last year caused similar detonations recently in 8 rival countries, all devoutly orthodox in their capitalism. The safety match touched off the fireworks.

Nearly all these matches are imports—principally from Sweden. They met a duty of 8¢ per gross of boxes in the old tariff and 20¢ in the new. A sweet little business that seemed secure as long as men smoked pipes and housewives lit gas ovens. American agents or American affiliates of foreign manufacturers distributed for this country and enjoyed their cuts. Into this Eden crept a serpent—a well-known serpent with whiskers.

Enter the Russians

We imported not one Russian match in 1927. In 1928 the Soviets sold us 404,800 gross boxes out of a total 5,564,480 gross of imports. Next year's figures were—total, 10,576,490 gross; Russia's share, 1,037,420. Threat of a higher duty partly explained the increase but dumping was suspected. Pained cries rose to high heaven and to Washington, D. C. It was charged that jobbers were buying Russian lights for 33¢ and 35¢ a gross, while competitors considered 80¢ a fair price for the same quality. High heaven ignored the complaints, but Washington acted.

A leisurely investigation convicted the Soviets as charged. In May, 1930, a Treasury Department order applied the penalty provided by law—a special dumping duty sufficient to offset the cut at which Russia was unloading.

All in the Same Boat

Unfortunately for the complainants, the mills of Washington refused to stop once they had been started. Investigators discovered that the capitalistic countries, to meet the Soviet threat, had indulged in considerable dumping of their own. Had sold matches to the unsuspecting U. S. at prices below those of home markets. Result: Last February the Secretary of the Treasury issued an anti-dumping order against Austria, Finland, Sweden, Norway, Poland, Esthonia, Latvia, Holland. Extra anti-dumping duties were assessed against these countries. Meanwhile, imports have subsided. Total for 1930 was 4,060,992 gross; the Soviet's share, 641,290 gross. The victory is largely moral. There seems to be no way of collecting the penalty on imports that already have gone through the customs. In 10 years since the anti-dumping measure passed it is said that the government has never collected the extra duty.

Europe Has Advantages

The 1930 tariff enables domestic matches to compete with the oversea safety, but the latter maintains its grip on our market. In the first place we haven't the non-warping European aspen which is best for stems. Then the Swedes, particularly, are far ahead of us in technical skill. Wages are a feature also. American women get 5 times as much as their match-making foreign sisters; the men 4 times as much.

Submission to these hard facts is found in the fact that the Diamond Match Co., big American manufacturer, is the distributor of safeties in this country for the Swedish Match Co., pet concern of the astute Ivar Kreuger, who specializes in lending vast sums to impoverished governments in exchange for match monopolies.

10% Are Safeties

Safety matches supply about 10% of the total strikings of this country. (Competitive dumping in 1929 raised them to 20%.) Still ruling the demand is the American type match, long and robust of stem, with a head that will strike on anything including the seat of a smoker's pants. The South and Middle West will accept no other variety. It represents 85% to 90% of the market. Paper book matches, that seem ubiquitous, really represent a small percentage of the total, and are confined principally to the larger cities.

The president of the Diamond Match Co. (who is, appropriately, Mr. W. A. Fairburn) reports that uniformity of net earnings was maintained last year.

Wide World

Iron Secretary—*William Schergens demonstrates his device for answering the telephone and taking a message. When the bell rings, it lifts the receiver, says, "Hello, Mr. Soandso is out, who is calling please? —will you leave a message?" What a chance for a sal·s talk without interruptions! When the message stops, the machine hangs up*

Volume so far this year is somewhat better than normal. Outlook for 1931 presages an average market with a tendency toward a price rise. Electricity has reduced the use of matches in the home, but increases in smoking offset the loss. Competition by lighters, never serious, continues to wane.

How Shippers' Boards Help Solve Problems

LOADED with warm cargo in cold or cool weather, steel box cars "sweat"; water drips, spots sacks of flour, rendering them unsaleable, even though actual damage to contents is small. Furniture is spotted and the veneer cracks and curls.

Remedial methods were discussed at the regional quarterly session of the Trans-Missouri-Kansas Shippers' Board, Mar. 18. Railroad men urged the precooling of flour before loading. The millers replied that this would require double handling at 70¢ a ton or $24.50 extra for each 35-ton car. Flour is ordinarily 85° to 90° F. when packed and efficient operation requires it be loaded direct from packers.

Try Lined Car

Pillsbury Flour mills are experimenting with a steel car, half of which is lined with Idaho white pine, the other half unlined. In trips of several hundred miles no sack has been damaged by moisture under the lined roof while damaged sacks in the unlined end have run as high as 200 a trip. The lumber is finished only on one side and the rough or unfinished side absorbs the moisture. Canadian Pacific Railway has put 5,000 wood-lined steel freight cars in use within the past year. A considerable market for lumber would develop should other roads decide to follow suit, as appears likely.

Do a Good Job

This problem, a specific, not a general one, explains why 13 regional shippers' boards have been able to accomplish so much in the last decade. The railroad men and traffic managers of industry meet and discuss their problems.

The tendency today is toward coordination of the various forms of transportation. Conferences of railroad men and shippers bring practical progress. As yet truck operators have not figured prominently in the meeting but it is significant that the major topic of conversation at the March meeting in Kansas City was how to coordinate motor and rail transportation.

Consider the Fixed Trust, in the Investment Field, How It Grows

It buys not, neither does it sell, yet even "management" in all its glory is eclipsed

Most interesting among the phenomena of Wall Street today is the popularity of the fixed trust.

It was little known a year ago. The Street's greatest specialist on investment trusts estimates that not over $5 millions of such shares were outstanding at the beginning of 1930. He puts the total today at $450 millions. Others, somewhat less conservative, think American investors—mostly outside New York, and mostly small folk—have put as much as $1 billion into such issues during the year.

The Boom-Born

The investment trust—American style—was born of the Big Boom. All the Boom-Born were management trusts. They buy and sell what they please as things go up or down. Some publish what they do, and some do not, but when they do publish, it is after, not before, the fact.

Of management trusts, it has been estimated there are 660-odd, of which say 500 are living, valid. In the glad, mad days, their shares sold at prices far above break-down value. Nowadays many sell at prices below what their assets would bring, could they be sold without breaking the market—an ironic commentary on the investor's present appraisal of the value of "management."

They All Sell

Meanwhile the fixed trusts flourish like the green bay tree. Some are good; some are very, very bad. By and large, they all sell well.

The fixed trust is the kind that says in print once and for all what it will do before it asks you to buy its shares. Furthermore, it is for a certain length of time. There are some that are for 50 years, some for 30, many for 25, a great many for 20 and some for only 2. Of the fixed trusts, most of them less than 2 years old, many of them only days old, there breathed last week somewhere between 96 and 104, according to one's strictness of definition as to when a trust is not a trust at all. Their managers are making money, and they are the only people who are making any management money in the financial mêlée. To wit, fixed trust shares are selling, and selling like hot cakes.

As to the identity of the purchasers of these shares there is undissenting, unusual accord. They have been bought outside New York City and they have been paid for by the little people. Manhattan had been adamant against them.

Cold New York

Is New York the center of bearishness? Or flat broke? Or sophisticated? Perhaps a little of all these things. But most important, to New Yorkers, is this:

The New York Stock Exchange has refused to list any of the fixed trusts. Manhattan investors and gamblers like the visa of the Exchange. It is to a growing extent, these days, a sort of guarantee of the exactitude of accounts. It is also a precious key to the loaning tills of bankers, and to New Yorkers, investment without borrowing is unimaginable. Thus it was that the drive for fixed trust shareholders was spread thin, nation-wide, and even into Europe.

Where Are Buggies?

Technically the Stock Exchange has, as always, the best of all possible reasons for not listing fixed trusts and for having been so excessively difficult about listing even the most conservative of management trusts, only a dozen of which have ever passed its auditing turnstiles. It is because it is so hard to be sure about the internal accounting condition of a trust at any given moment. The longest chunk of time that the Exchange can think about comfortably is 6 months, and it very much prefers to get down to a 3-month basis. But how about a fixed trust which is set to wind up in 50 years? What color are the blue chips of yester-fifty-year? The bicycle companies, the fine carriage trade, have not they gone the way of kerosene? No, the Big Board will have none of eternities and certainties. It deals in ephemerals and momentaries and it knows it. It has a cultivated distaste for stock values seen under the aspect of eternity.

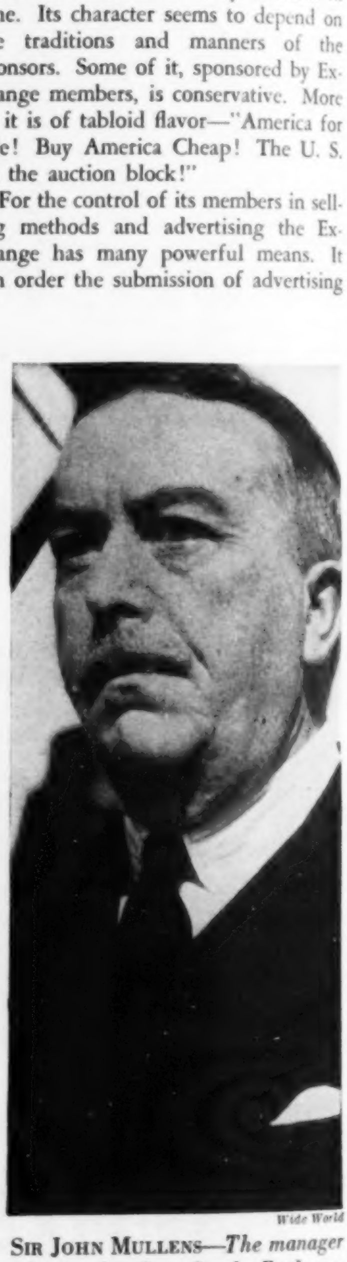
Toujours la Politesse

But the Exchange is notoriously skilful in the wielding of the most disarming of all arms, the exquisite little rapier of civility. When it does not list people's securities because of technical grounds, it may perchance have grosser, more heartless reasons which it would not be so gentlemanly as to blurt out. The Exchange has come to have a delicate ear and nose about methods in selling. Bell-ringing, house to house, or flat upon flat, "cold turkey" or not, is highly distasteful. The boiler-room technique is held in horror. And, most delicately of all, the Business Conduct Committee has ideas about advertising tone.

Live Copy!

The advertising of the fixed trusts is just getting well under way. There is a lot of it and it is not very uniform in tone. Its character seems to depend on the traditions and manners of the sponsors. Some of it, sponsored by Exchange members, is conservative. More of it is of tabloid flavor—"America for sale! Buy America Cheap! The U. S. on the auction block!"

For the control of its members in selling methods and advertising the Exchange has many powerful means. It can order the submission of advertising



Wide World

Sir John Mullens—*The manager of the London Stock Exchange stops off for a brief stay at San Francisco during the world cruise of the Empress of Australia*

text under threat of severest discipline. It can virtually effect a boycott against a trust whose shares are being widely and popularly distributed over the country by simply sending out word to all members that their branch offices must not engage in the sale of a particular issue of stock. And so great is the prestige of the Exchange that when it has put a veto against a certain security-selling outfit even non-member dealers will fight shy of the censored concern.

Dumping, Thawing

Then there is the dumping danger and the thawing threat. The Exchange, in its majesty, suspects some promoters of fixed trusts of creating them in order to dump the dusty issues from the sagging shelves of houses of issue, scents the torch of subtle secondary distribution thawing away at the avalanches of tight-frozen loans against paper in the great banks. In some cases it can certainly view alarm more easily than it can point with pride. Noticeable, too noticeable, are the trusts whose lists of holdings show clearly to the initiated that the sponsors are merely seasoning with a half dozen blue chips and a dozen fair-to-middling bets an audacious bag of cats and dogs left over from the heroic days that were before the great October chill.

Under the new rules permitting secondary distribution by stock exchange houses, with payment of commissions to customers' men, furthermore, it is always possible for a trust to drive a deal with some Stock Exchange house to get a line of stocks at a discount of from 1 to 3 points off the market. These stocks might conceivably get sold to the innocent public at the markets. All these things have to be watched.

The Wags Brighten

All of which goes a little way to explain why the wags are brighter again. When newspapers and magazines carry pompous descriptions of security-omelettes as "semi-rigid trusts" one must not blame the boys if they wisecrack about "Low Down Shares," "Q. E. D. Shares," "Basic Bunkum, Inc.," "Fundamental Faith," "Providential Participations," "Seasoned Suckers," "1981 or Bust," and "New Era Erratics-Errata." At the very end of last week there was yet another novelty—a fixed trust which had a portfolio composed of shares of 27 other trusts, all general management trusts. It will operate for 5 years. The trust of the 27 other trusts! Its name was too masterful, "The Leverage Fixed Trust Shares."

There was no wag with enough talent to improve upon that.

Clink of Slugs in Slot Machines Sour Music to Manufacturers

AT a meeting of the Vending Machine Manufacturers Association held this week in New York, problems of the industry were dragged into the open, tagged, and a merged organization formed the better to combat them. At a previous convention in Cleveland the National Vending Machine Operators and the Coin Machine Operators joined to form the Automatic Merchandisers Association. The new combination is now strengthened by the addition of the Vending Machine Manufacturers, who maintain their individuality by becoming a separate division.

Battle Common Evils

A managing director will be employed to form a permanent staff and battle the common evils. Important among them is the slug, the use of which has increased with the slump.

Many a citizen who would scorn to defraud a salesperson can look himself in the eye at a slot machine mirror and drop a worthless disc that nets a 5¢ pack of chewing gum. Various and awful are the displays in the vending machine's gallery of rogues. Some of the illicit nickel slugs required half a day's hard work. Catholic medals have been debauched in this way. Washers that happen to be the right size find their way into tills. Conditions are worse where mechanics abound, as in Detroit and Chicago. Punching of the discs is a simple machine operation.

Seek Slug Detectors

The counter-drive of the industry encourages the improvement of anti-slug devices, stresses a campaign to make possession and use of such slugs illegal. Despite the claim of ingenious machines, it is said that the best the inventors have attained with slug rejectors is 99% effectiveness.

One efficient machine passes the coins through an area of electric magnetism: high resistance metals drop promptly through the discard chute, low resistance compositions of copper or aluminum are suspended and eliminated by the same exit; silver coins alone pass muster. But—that device ignores entirely the highly important nickel and penny. Also the lowest price is $5 and that is as much as a good many vending machines cost.

A committee headed by A. E. Gebert, of Chicago, is heading the drive for legislation. New York has a law against this fraudulent use of slugs and tokens. Ohio has gone further with a statute against the possession and use. Tennessee and West Virginia have laws similar to that of New York. A bill applying to the District of Columbia is before Congress. The Federal Trade Commission has ruled that it has no power to stop the interstate sale of slugs. Now that the industry is combined, a special drive will be made to enact prohibitory statutes in Congress and state legislatures. Powerful financial groups can be counted on for aid. The New York subway lines and the Bell Telephone system, both suffer from the slug epidemic.

Penny machines for cigarettes attracted much attention at the New York convention. The American Tobacco Co. will sell Luckies via a vendor that offers a single cigarette for 1¢. Rivals are dickering with another machine just put on the market. The machines have a special appeal since they return 20¢ for packs of 20 that otherwise sell for 15¢.

All Sizes, All Shapes

Makers are solving the problem of a flexible machine—one that can be adjusted to different sizes of packages. One model boasts that its magazine can be set for anything from a hair-pin (not that anyone buys hair-pins) to a half-pound box of chocolates. Devotees of aspirin will rejoice to learn that one company is putting out a vendor that produces a suitable number of headache pills for a nickel. An automatic hot-dog vendor has made its debut. A Philadelphia milk concern has ordered a machine that delivers a 5¢ bottle of milk for a dime, gives back 5¢ when the bottle is returned. And a Chicago company has made a special cabinet for an enterprising bootlegger—one that hands out a small flask of dynamite for two half-dollars.

A Costly Rumor

The trade is amused and concerned over a curious rumor about Indian head pennies now sweeping the Middle West. It is reported that the government is to call in these old-style coins and pay $2 each for them. Many a kid, his soul torn by a yearning for gum, passes the beckoning machine with strained face, refusing to drop therein the Indian penny which he is determined to cash for 200 times its face value.

Europe's Shoe Czar Buys His 2 Largest Rivals

European News Bureau—Europe's largest shoe factory is to be larger. Thomas Batá, Czechoslovak industrial genius, is negotiating for the purchase of his 2 largest competitors, is offering them more than $2 millions for their factories. Carl Budischowsky & Soehne, A.G., and "Busi" Schufabriken, A.G. (second largest leather and shoe company in Czechoslovakia) are capitulating to the aggressive Henry Ford methods of Mr. Batá.

Gets More Leather

Budischowsky, with a capital stock of $324,000, and Busi with a capital stock of $300,000, are both controlled by the Moravian Bank in Bruenn. Together they form a shoe manufacturing unit, for Budischowsky manufactures leather and Busi turns out shoes.

The purchase will increase considerably Batá's leather production, which has not as yet been sufficient to cover his requirements. Busi has a well developed sales organization and, because he uses similar modern sales methods, has been Batá's principal competitor.

As a retail competitor, Busi is shrewd. Probably few Americans realize that the smart Deauville sandals which have been popular for two seasons have come in quantity from the Busi factories in Czechoslovakia. The plaited tops are made in the community as a home industry. Machine methods are used on the rest of the work.

He Was Forehanded

Batá has neglected this popular product because his straight line production methods at Zlin were not adapted to the manufacture of products requiring so much handwork. Since it is generally believed that the market for Deauville sandals will develop favorably, particularly in the Far East where Batá has recently opened new sales "depôts" (*BW—Dec24'30*), it seems that Batá had this merger in view when he started to improve and extend his sales organization in Singapore, Penang, Batavia, and Suraboya.

Batá's plans are always far ahead of his accomplishments. Friends see in this new acquisition a particular reason for his recent appeal to the Czechoslovak government for a government plan for the development of centralized industrial areas. Batá conceives vast industrial areas, in which related industries could be grouped, and employment helped by the better living conditions for workers which could be provided where more people are accommodated.

Underwood & Underwood

MAPLE SYRUP PIPE LINE—*Borrowed from the oil men, this pipe line aids in gathering the sap. In some groves, the trees are plugged in directly and the sap flows by gravity to central collecting stations*

Tax Laws of Farm Legislatures Threaten Industry in West

High income, personal, and excise taxes place "unbearable" burden on business

THE battle between industry and agriculture in Western states over division of the tax burden is severe.

In Oregon, as in other states of similar economic character, the voice of the farmer rose high above that of the urban representatives in the legislature last January. The result was an increase in excise intangibles, and income taxes with the idea of transferring some of the burden from the tax-harassed farmer to the corporations.

The industrialists said: "If you tax us too much you will drive us out of the state and lose a market for your products."

The Farmer's Story

To which the farmer replied: "The narrowing margin of net return to agriculture will not permit us to meet the increasing property tax and the industrialist must help pay for the privilege of living in a state endowed with natural advantages and assume a portion of the expense incurred to enhance them."

Farm taxes in Oregon have increased 30% in 7 years. Educational facilities have contributed largely to this increase, as the cost of state government has actually decreased in that period. Real property bears a tax averaging about 45 mills on a 50% valuation considering a heavy depreciation on improvements.

Where Taxes Fall

A summary of the present tax laws shows: (1) Excise tax on net incomes of corporations at 8% allowing personal property tax paid to be deducted from this 8% up to 90% of the excise tax, resulting for most businesses in a net rate of 1½%. (2) Intangibles tax of 8% on income of individuals and corporations, allowing deduction of income paid and exemptions in cases where net income is small. (3) Personal income tax on all income not otherwise taxed with rates of from 1% to 5% on each $1,000 block above exemptions for single persons and for the heads of families.

Industry has become restive and many concerns are considering moving to other states. New and increased taxes were imposed by the 1931 legislature even before the effect of the 1929 changes could be determined.

However, many of the business concerns feel that the situation can and will be corrected. The Jantzen Co., manufacturer of swimming suits, in issuing a statement that it would remain in Oregon, gave a typical expression of this confidence.

Still Hoping

"We carefully weighed the tax disadvantages of Oregon," the statement says, "and were forced to the conclusion that the penalty of remaining here is too heavy if it is to be continued.

"However, our confidence that a rule of reason will prevail is so great that we intend to expand local operations by the erection of the first unit of a spinning mill. Ultimately, if our full program is carried out, we shall increase our property investment and will increase our payroll by about 150 employees. Completion of this program will depend upon whether or not a favorable attitude is taken toward industry."

The controversy between agriculture and industry is not peculiar to Oregon alone and the working out of Oregon's problem will be watched by many states.

Gasoline Tax Returns Jump 10,000% in 10 years

STATE gasoline tax returns in 1930 were 100 times as large as those in 1921. The combined income of all states last year, $522 millions, represented a daily collection of $1,400,000.

Yet state legislatures are not satisfied. Gasoline taxes are boosted regularly every year. This year 44 legislatures are in session, 6 states have already raised taxes, at least a third of the total are expected to follow suit. All states now impose gasoline taxes ranging from 2¢ to 6¢. Only New York, Connecticut, Rhode Island, Missouri, Wisconsin, and the District of Columbia now have the 2¢ tax.

The 1930 state gasoline tax collection was 100 times that of 1921. But the registration total is less than 3 times that of 1921.

Farm Board's Exit Brings Wheat Traders Back

VOLUME of futures trading, not only in wheat but also in other grains, has considerably increased on the Chicago Board of Trade since the Farm Board's announcement of its proposed retirement from the market. Private money is coming back.

James C. Murray, Quaker Oats vice

president, who is serving this year as 58th president of the Board of Trade, believes that this return of private speculative capital will go far toward cushioning the price drop that seems logical when the new crop comes to market. As Mr. Murray puts it, practically all the bad news has been heard.

Even though the good news be meager, it will be welcomed and noted. It is well known that most American speculators operate on the bull side. Hence, the return of speculative money means mainly the return of buyers.

Export Sales Probable

There is considerable speculation as to just how the Farm Board will dispose of its wheat holdings, which reached the 200 million bushel mark this spring. Unless present signs fail, this wheat or its equivalent will have to be sold abroad, since each year's new crop is normally more than sufficient for home demand.

It seems likely that the Farm Board will call on established exchanges to help them out. This is what the Canadian wheat pool had to do. Foreign buyers are accustomed to purchase from private sellers. The Farm Board will make more progress feeding out its holdings through these accepted private channels than by attempting sales campaigns of its own.

Liquidation Council

Some sort of a liquidation council seems likely. Such a body, including representatives of the grain trade, could work out a schedule for orderly liquidation of the Farm Board's holdings to the export market with sales so timed as to be of minimum interference with new crops.

Government holdings of grain are rendering the elevator situation in Chicago, and elsewhere too, more acute. Public elevators in Illinois are governed by a law passed in 1850.

Storage Space Down

"Storage space in Chicago, including both public and private, has dropped in recent years from about 80 million bushels capacity to about 54 million," comments Mr. Murray. "The only barrier in the way of added private capital coming into the elevator business in this world center for grain trading is our antiquated law."

Though many storage elevators are congested, "empty shelves" exist generally in the milling and baking industries today. Operations are kept close to current demand. Any increase in consumption would promptly speed up flow of grain into mills and flour into bakeries.

In Fostering Co-ops, Farm Board Competes with Private Business

Stabilization was accidental, temporary, but cooperative marketing is fundamental

(The sixth of a series of articles interpreting the present and prospective position of the Farm Board in its relation to agriculture and business)

THE stabilization activities of the Farm Board, discussed in the two preceding articles, are simple and innocuous compared with the knotty problems involved in the board's work in promoting cooperative organization. The former were a more or less accidental stunt; the latter is fundamental and permanent, and the board will stand or fall according to its success or failure in this effort to organize agriculture on a cooperative basis. Its effects upon American business, moreover, are likely to be more far-reaching than anything else that the board has done or will do.

Too Soon to Judge

The results so far are uncertain and unsatisfactory for everybody concerned, and the ultimate outcome is problematical. The task of organizing a vast and diverse industry made up of more than 6 million scattered producers, of highly individualistic habits, will be long and difficult. Very little accomplishment of permanent value could be expected in 2 years; nor can the possible effects upon other businesses be fully evident in so short a time.

The important question is as to the tendencies that have already developed. Has the board's approach to the problem of agricultural organization been sound, how far is it likely to get on the present basis, and how will business be affected if the present tendencies continue?

A Question of Equality

No one, of course, questions the desirability of the objective laid down in the Agricultural Marketing Act—the better organization of agriculture. The need of planning and coordination is apparent and clearly recognized today in every industry; and agriculture has been the most backward of all in this respect.

There may be some doubt about the assumption made in the Agricultural Marketing Act that the organization of agriculture on the basis of cooperative associations owned and controlled by producers is actually putting farming on an economic equality with other industries, because every other industry is prohibited by the existing anti-trust laws from setting up central selling agencies to market products at a uniform price, from establishing pools, and practically all the things that are essential to cooperative organization in agriculture. But perhaps the peculiarities of farming, farm products, or farmers justifies this discrimination between agriculture and other industries.

Hothouse Methods

The essential problem involved in the Farm Board's work in this respect is the relation of government to it. That is what all the fighting is about. That is why the soundness of the board's methods is doubtful and why other business is so much concerned.

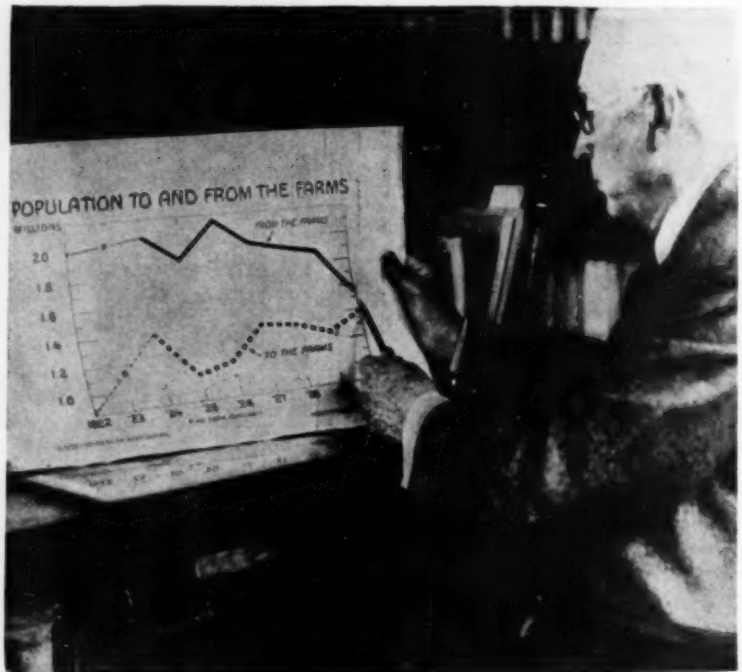
The first point to be noted is that, in compliance with the explicit as well as the implicit provisions of the law, the board has inevitably been compelled to speed up and force the development of cooperation by arbitrary and hothouse methods.

When it began work there were about 12,000 co-ops in the country, of all sizes and degrees of strength, handling all kinds of products and with management of widely differing ability. If it had proceeded to put its half billion dollar revolving fund at the disposal of any or all of these organizations and all the new ones that would have been quickly formed to take advantage of the money, its resources would have been quickly dissipated. It would have been helpless to exercise any effective control over the use of its funds so as to render the greatest aid to farmers.

—And Strong-Arm Strategy

It was therefore forced to use somewhat strong-armed strategy in dealing with the situation. It had not only to rule out any financial aid direct to individual farmers, but to discriminate cold-bloodedly among the co-ops themselves, selecting those which seemed strongest, best-managed, and in the most advantageous position, and forcing them into national or regional organizations strong enough to control the marketing of single or related commodities.

In this way it has so far set up national organizations, some of them with regional divisions, to handle grain, wool, cotton, livestock, beans, sugar



International News

BACK TO THE FARM?—*Dr. C. J. Galpin, population expert of the Department of Agriculture, and his chart for 1930. Those returning to the land are on the increase, although not yet equal to those leaving*

beets, pecans. Six regional organizations for marketing dairy and poultry products have been established and a terminal marketing association for fruits and vegetables is in process of formation. These organizations have gotten most of the Farm Board's money, although small loans have been made to individual cooperatives handling minor products. Altogether out of the 12,000 existing cooperatives only about 100 associations have received Farm Board loans.

Board in Co-op Politics

The forcing of local cooperatives into regional and national organizations has plunged the board into a jungle of co-op politics. It has had to deal with competitive rivalries among the co-ops, jealousies among cooperative officials, sabotage from independent and unrecognized co-ops, and constant guerilla warfare waged by private commission trades.

In this struggle, of course, it has had often to be brutal and arbitrary, and its activities have had to be carried on behind a veil of secrecy, both to protect itself from criticism and attack and protect the co-ops from the competition of private trades which conceivably might often be ruthless.

The net result has probably been a somewhat unstable situation concealing a smouldering mass of resentments, rivalries and repressions. The occasional explosions which the public hears, such as those emanating from some of the Southern cotton and wool organizations, the Northwestern grain fields, the California grape growers, and the livestock agencies, have been indications of this instability inevitable in such a forced organization process as the Farm Board has embarked upon.

Stepped on Toes

It must be remembered that co-ops are private business organizations established under the laws of various states, ordinarily in competition with each other and with other private agencies not cooperative in character. The Farm Board has inevitably been compelled to try to restrain this competition in the handling of farm products and in so doing has had to step on a good many toes.

The private non-cooperative agencies have no source of governmental protection against the co-ops, since the latter are not subject to Federal Trade Commission interference and are legally under jurisdiction only of one man, the Secretary of Agriculture, who is also the legal arbiter between the Farm Board's co-ops and the independent

LEGAL NOTICE

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912

Of The Business Week, published weekly at New York, N. Y., for April 1, 1931.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared C. H. Thompson, who, having been duly sworn according to law, deposes and says that he is the Secretary of the McGraw-Hill Publishing Company, Inc., publishers of The Business Week, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, McGraw-Hill Publishing Company, Inc., 10th Ave. & 36th St., N. Y. C. Editor, None. Managing Editor, Marc A. Rose, 10th Ave. & 36th St., N. Y. C. Business Manager Jay E. Mason, 10th Ave. & 36th St., N. Y. C.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) McGraw-Hill Publishing Company, Inc., 10th Ave. & 36th St., N. Y. C. Stockholders of which are: James H. McGraw, 10th Ave. & 36th St., N. Y. C. James H. McGraw, Jr., 10th Ave. & 36th St., N. Y. C. James H. McGraw, James H. McGraw, Jr., and Malcolm Muir, 10th Ave. & 36th St., N. Y. C., Trustees for: Harold W. McGraw, James H. McGraw, Jr., Donald C. McGraw, Curtis W. McGraw. Curtis W. McGraw, 370 Seventh Ave., N. Y. C. Donald C. McGraw, 10th Ave. & 36th St., N. Y. C. Harold W. McGraw, 285 Madison Avenue, N. Y. C. Anne Hugus Britton, 10th Ave. & 36th St., N. Y. C. Mason Britton, 10th Ave. & 36th St., N. Y. C. Edgar Kobak, 10th Ave. & 36th St., N. Y. C. Grace W. Mehren, 2440 Lakeview Ave., Chicago, Ill. J. Malcolm Muir & Guaranty Trust Co. of New York, Trustees for Lida Kelly Muir, 524 Fifth Ave., N. Y. C. F. S. Weatherby, 271 Clinton Road, Brookline, Mass. Midwood Corporation, Madison, N. J. Stockholders of which are: Edwin S. Wilsey, Madison, N. J. Elsa M. Wilsey, Madison, N. J.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is (This information is required from daily publications only.)

C. H. THOMPSON, Secretary.
McGRAW-HILL PUBLISHING COMPANY, INC.

Sworn to and subscribed before me this 31st day of March, 1931.

[SEAL] H. E. BEIRNE.
Notary Public N. Y. Co. Clk's No. 203, Reg. No. 3B102. Kings Co. Clk's No. 636, Reg. No. 3128.
(My Commission expires March 30, 1933)

co-ops. The prolonged warfare in the livestock field shows clearly the opportunity for arbitrary exercise of governmental power in a situation of this kind.

A second important fact is that the board's possession of large financial resources has provided it with a powerful instrument for arbitrary discrimination as between individual farmers, co-ops, and private trades, for forcing cooperative organization in the direction desired by the board, and to establish centralized government control over cooperative organizations.

Put to Many Uses

There is no doubt that this instrument has been used in these ways. It was first tried as a means of forcing individual farmers into cooperatives, by offering loans to Farm Board co-ops on better terms than could be obtained by the individual farmer. It has been used similarly to persuade independent co-ops to enter regional and national organizations. It has been used as a method of competition as between the co-ops and private trades. It has also indirectly exercised pressure upon local bankers for easier credit terms. Finally it affords an opportunity, which the board is hoping to use effectively later, to force cooperative action to restrict production.

In all these respects the government, through the Farm Board, has been taking advantage of its power to borrow money cheaply and use it for certain ends Congress vaguely conceived as desirable.

Loss, Discrimination

Because the board is compelled to loan funds at the lowest rate at which the government has borrowed them in the past, the co-ops in some cases have been able to get money as low as $1\frac{1}{8}\%$ for long term loans. Since the average rate of government borrowing is $3\frac{1}{2}\%$ this policy has involved considerable loss. It has also involved a great deal of discrimination, more or less accidental, as between cooperatives who have borrowed at different times.

The chief effect, however, has been to provide a form of government subsidy to a special group of business interests in competition with others who have not enjoyed the same advantage. Hence the resentment of the private commission trades, local banks, private elevators, etc. at what they regard as unfair competition by government.

The Farm Board, of course, justifies the use of this financial weapon on the ground that it is necessary at the start to build up strong and effective cooperative organization which will be able to compete on the same terms with other marketing agencies for farm products. When this is done it hopes that the cooperatives will no longer need to rely upon government funds, and may be able to attract credit from other sources.

At the Wrong End?

Quite aside from the immediate disadvantages under which the private trades suffer, the question remains whether cooperative organizations built up in this way are ever likely to be strong enough to stand on their own feet and render real service. There is little doubt that farmers will join the co-ops and the co-ops join the regional and national organization fairly readily when special advantages are offered to them by government. But what is likely to happen when this aid is withdrawn?

Close students of the cooperative movement in other countries do not feel that effective cooperative organization can be built up in this way. Where successful it has always developed from the bottom up, not from the top down.

The relatively slow progress of cooperation in this country is probably due to the persistent individualism of the American farmer, and this is not likely to be removed by government coddling, subsidizing, persuasion or force. It will require a long process of propaganda or of education not only of farmers but of a group of men competent to manage cooperative enterprises successfully, and attracted to the work as a promising business opportunity.

The Farm Board recognizes this and, while it is cultivating its hothouse cooperative movement, is likewise actively promoting education in cooperative methods in the agricultural colleges, in extension work, and otherwise. It will be many years, however, before these efforts bear much fruit.

Depends on Strategy

In the meantime the outcome of what the board has been doing in developing cooperative organization will depend largely upon the skill of its political strategy in dealing with the conflicting cooperative factions and upon the strength of its financial ammunition.

If its money holds out—and its losses from the revolving fund in co-op loans have been slight—there is no reason why it cannot carry on along the present lines for many years.

The private trades have so far been more scared than hurt, and they are not well enough organized to attack the

farm relief law successfully for fear of arousing political hostility among the co-ops and the farmers which might only result in making the law more dangerous still. The weapons are mainly in the government's hands, and the board has not hesitated to appeal to other government agencies like the Post Office and the Federal Trade Commission where it has felt that its co-ops were being unfairly attacked by other private interests.

May Overstep Bounds

The danger is that artificial governmental support of the cooperative movement, like most government subsidies, will tend to feed upon itself and grow beyond bounds. If it goes no farther than it already has, there will remain a large field for competitive private marketing business, although some lines may be seriously hurt. On the whole in most fields the private marketing facilities have been able to demonstrate their advantages and efficiency, and it is unlikely that unless government subsidized competition is greatly increased the established private marketing machinery of the country will be wholly eliminated.

The chances are rather, as will be seen later, that ultimately the co-op organization and the private facilities will be combined, bringing producers, processors, marketing agencies, and private banking interests into closer relationship.

All the World Will Talk Industrial Relations

THE first world industrial relations congress is to be held during the last week of August at Amsterdam, Holland, under the auspices of the International Industrial Relations Association. Its general subject will be Social Economic Planning.

The American participants in the proceedings will include Dr. Lewis L. Lorwin, Brookings Economic Institute; Dr. H. S. Person, Taylor Society; Edward A. Filene, Boston; H. H. Broach, International Brotherhood of Electrical Workers; Morris Llewellyn Cooke, Philadelphia; Dr. W. A. Berridge, Metropolitan Life Insurance Co.; Dr. Susan M. Kingsbury and Dr. Mildred Fairchild, Bryn Mawr College; Paul U. Kellogg, *Survey Graphic*. Miss Mary Van Kleeck, Russell Sage Foundation, is vice-president of the association for the United States and in active charge of arrangements for the meeting being made in this country.

Wide Reading

CAN AMERICAN BUSINESS MEET THE PRESENT EMERGENCY? Wallace B. Donham. *Harvard Business Review*, Spring. If it plans, rationalizes, cooperates—yes. Another slant on the author's recent discussion in "Business Adrift."

EARNING AN ELECTRICAL KITCHEN. Mrs. Ralph Borsodi. *Electrical Merchandising*, April. Suggestions to electrical equipment salesmen from the angle of the housewife who has found it profitable to do her own work with modern tools.

WHAT IS BACK OF THE LIBBY LABEL. O. Fred Rost. *Food Industries*, April. The story of E. G. McDougall—and his direction of Libby interests.

ORANGE TREES AT DOORSTEPS—FROZEN FOOD GOES INTO ACTION. Bernard A. Grimes. *Printers' Ink*, Apr. 2. Frozen orange juice—delivered with your milk. More of the revolution of food distribution.

SOVIET RUSSIA'S FIVE-YEAR PLAN FOR RADIO. Martin Codel. *Electronics*, March. Calls for 14 million receiving sets in use by 1933; 60 broadcasting stations to augment the 47 now in operation; loud speakers on all street corners; in public places, schools, assemblies; radio investment $45 millions.

REVENUE TARIFF FOR GREAT BRITAIN. J. M. Keynes. *New Republic*, Apr. 8. A way by which England can "resume the vacant financial leadership of the world." An inevitable trend, discussed by Britain's foremost economist.

THE ELECTRICAL INDUSTRY AS A CONSUMER OF METALS. J. A. Capp. *Iron Age*, Apr. 2. Electricity's widening uses have created a new field of appliances requiring large quantities of metals not heretofore commonly used.

NO BUSINESS CAN ESCAPE CHANGE. *Nation's Business*, April. A page of new industrial developments: scented rubber, cotton roads, "knock-down" furniture, casting concrete objects in porous plaster molds.

WHY WE SCRAPPED COMMISSIONS. H. A. Hyman. *Chain Store Age*, April. Employees were not contented; salesmen used high-pressure methods; they neglected the store; selling was less capable.

THE SILVER SITUATION. *The Economist* (London), Mar. 28. Comprehensive, and with a valuable chart of supply and demand in the last 10 years.

BOOKS

PRACTICAL STOCK MARKET FORECASTING. William Dunnigan. Financial Publishing Co., Boston, 92 pp., $2.50. Advocates simple, rigid, mechanical rule for buying and selling of stocks based on movements of 8 trade and production indicators.

WORLD MINERALS AND WORLD POLITICS. C. K. Leith. McGraw-Hill, 213 pp., $2. Swift survey of present national policies regarding mineral resources and estimate of their probable course in the future.

THE CENTURY OF THE REAPER. Cyrus McCormick. Houghton, Mifflin, 307 pp., $3.50. Industrial biography—told by the grandson of the inventor.

Business Abroad—Swift Survey Of the Week's Developments

World markets are in a state of flux.... In **Europe, iron, steel, wool, rayon, hides were firmer. Cotton, rubber, and nonferrous metals sagged. ... Berlin is optimistic; London steady; Paris depressed.... Outcome of final sugar conference awaited hopefully.... Quarterend stocktaking reflects greater psychological than actual change.... Japanese markets—both stock and commodity—slipped sharply during the week.... Latin American business featureless. Argentina still steady; Chile absorbed in nitrate reorganization; Brazil stagnant.**

Europe More Confident At End of First Quarter

EUROPEAN NEWS BUREAU (*Radio*)—Diametrically opposed fluctuations of commodity prices have marked the resumption of business after the Easter holiday. Iron and steel are firmer. The trend of jute has strengthened on curtailed Indian production. Wool and rayon continue active and strong. Hides again are firm. Sugar improved on world price stabilization negotiations. Conversely, cotton, rubber, and nonferrous metals sagged heavily, with tin breaking to the February levels.

Markets Watch U. S.

Security markets, however, were generally sustained. Berlin was strong on more optimistic business forecasts. Continued development of the local depression weakened the Paris market. London was steady. The heaviness in Wall Street and less favorable American reports have occasioned anxiety, and it is felt that the continuation of gradual, but promising, improvement in Europe is doubtful unless there is parallel improvement in the United States.

Sugar negotiations will be resumed in Paris this week. With export quotas established, negotiations now turn on price regulation. Java demands a 5% increase in export quotas for each ¼¢ increase in the world price above 2¢. Cuba, whose production costs are higher, demands a base price of 2½¢. A permanent administrative body will be formed. This raises the dispute as to proportionate representation. Shall it be divided equally among countries, or shall it be proportionate to the quantity of sugar produced?

In the Easter lull, Europe paused, took stock of the first quarter, found that the outstanding change over the 3 months was psychological. Events, which at the yearend would have occasioned a pronounced setback, are now absorbed with little if any shuddering. Confidence in future prospects are conservative but tenacious.

Signs of Improvement

Both optimists and pessimists are disappointed over the quarter's developments. On the one hand, a real degree of improvement unquestionably has taken place. It can be measured in the end of the decline (even in some increase) in commodity prices, greater activity in the seasonal industries, a stirring in the basic industries, and broadening investment confidence. On the other hand, any expectations of vertical recovery are unfulfilled.

Business opinion is less diametrically divided. On the one hand, it is now freely conceded that there is still room for a relapse, particularly given any adverse international developments. On the other hand few now predict rapid recovery. Progress, it seems, will be one of slowly accelerated momentum over the next 2 years, but—barring untoward events—the cyclical corner definitely has been turned.

Commodity Trend Typical

The past quarter, as probably also the coming one, was marked by no even development but a process of 2 steps backward to every 3 forward. This particularly was exemplified in commodity prices. Wool, for example, started with spectacular rises, closed waveringly. Nonferrous metals, despite pronounced relapses from sporadic peaks, averaged higher, and tended to be firmer. It is foreseen that the first weeks of the new quarter will be marked by further irregularity, but it is probable there will be a new upward movement in May if not before, especially in the ferrous group which till now has been lagging.

Similarly, security markets and investment movement are established, after subsiding from spectacular but wobbly peaks. Thus, January was negative, followed by pronounced February ac-

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FIGURES OF FINANCE—*Andrew Mellon, Secretary of the Treasury (left) and his luncheon guests, Montagu Norman (center), Governor of the Bank of England, and Eugene Meyer, Governor of the Federal Reserve Board. They talked shop with the White House spokesman (fourth from left)*

tivity, and fresh retrenchment in March. Withal, sentiment is more confident at the end than at the beginning of the quarter.

British Business Inactive; Stir Over Oil from Coal

Business is inactive but not depressed. . . . Slightly better demand for iron, steel, rayon, jute. . . . Money relaxing after quarter end. Investment markets freezing. . . . Coal industry pins new hope in world-wide hydrogenation scheme.

LONDON (*Cable*)—Activity lapsed over Easter. Iron and steel reflect increasing demand. Rayon is better. Jute is strongly bought. Quarter end settlement caused drastic money stringency which has again relaxed on normal April demands. Stock markets are dull. Giltedgeds are selling best; oils least.

Waiting for the Budget

There is a trade lull pending the budget announcement due Apr. 27. Tobacco manufacturers are resigning themselves to an almost inevitable duty increase. Beer, gasoline, and tea—all minor luxuries—are also likely to call forth a further impost. A revenue tariff is still talked, but is now not expected in this budget.

The deficit for 1931-32 probably will reach $250 millions, may be met by the re-imposition of the old taxes on commodities. There is a general feeling against further direct taxation.

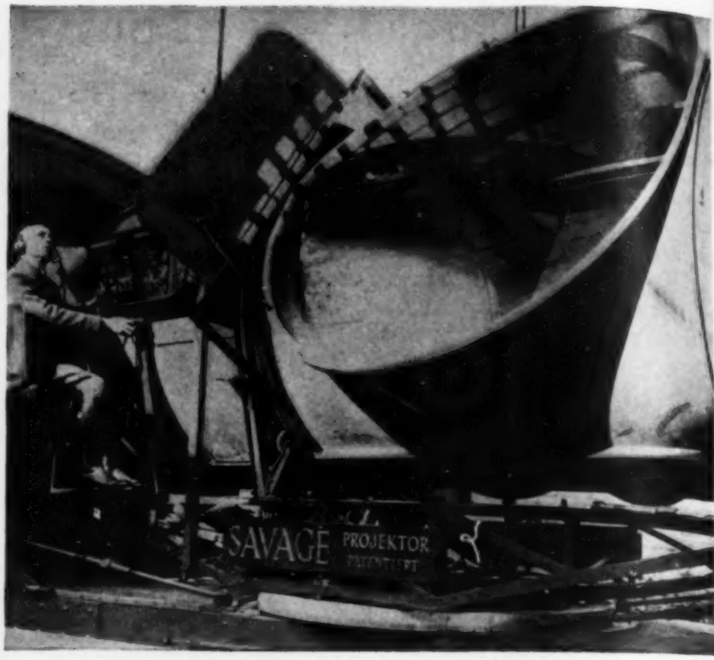
Investment markets have been shaken by the bad reception of recent new issues including the Lancashire Cotton Corp. and Cosach. Many of the large mass of pending issues, many of them held now for almost 2 years awaiting a favorable market, are likely to be stowed away unless coming weeks restore confidence.

Not So Bad

Britain has been taking stock of physical production, is pleasantly surprised at the way the country's manufacturing industries have withstood the depression. Production fell off, in 1930, only 8%, in contrast with 16% in Germany, 14% in Canada, 17% in the United States.

British exports suffered more heavily—declined (in money value) 22%, in contrast with a 15% drop in France, 11% in Germany, 19% in Italy, 26% in the United States.

Wage reductions continue gradually. Probably 2 million trade unionists are now affected, with a further 1 million white collar workers, and an uncounted number of laborers on short time. Unemployment, however, is decreasing.



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WHO OWNS THE CLOUDS?—*Berlin will now see advertisements written on the clouds in letters a quarter mile high. The outfit carries its own power plant, can follow the clouds around; this is the projection platform*

A million coal miners momentarily cast aside gloom when formation of International Hydrogenation Patents Co., was formed, plans announced. The company is a fusion of the interests of the Standard I. G. Co., the Royal Dutch Shell, and Imperial Chemical Industries, to exploit the hydrogenation process for extracting oil from coal in all countries outside the United States and Germany. Headquarters are to be at Vaduz in Lichtenstein. Growing out of this fusion will be the International Hydrogenation Engineering & Coal Co., which will have its headquarters at The Hague. The staff for the new enterprise will be made up of experts from each of the participating companies. Patent rights of all members are available, including the patents of corresponding companies organized in the United States last year. German patents become available through I. G. Farbenindustrie.

Business Lags in France; Foreign Refineries Allowed

Business increasingly depressed, but unemployment momentarily checked. . . . Money plethoric. Polish loan approved. Investment trust formed. . . . American oil companies get licenses to build refineries.

PARIS (*Radio*)—With the exception of somewhat greater activity in textiles, conditions remain depressed. Increase in registered unemployed, which recently has been gaining 6% to 10% weekly, is momentarily checked.

Labor difficulties in the coal fields are not yet completely liquidated but a general strike has been averted. Miners have returned to work on a 6% lower wage scale. Acceptance of cuts by the powerfully organized miners may mark the beginning of a nationwide effort to reduce wages, notwithstanding the persistent rise of retail prices and living costs in contrast with the decline in other countries.

Thawing Money

Money remains plethoric; efforts to unblock capital continue. The government has approved the proposed $40-million railway loan for Poland. Proceeds will be devoted principally to completion of the Silesian-Gdynia short line railway. The railway will be under the management of the lenders—Schneider-Creusot, Banque des Pays du Nord, and Crédit Lyonnais. The lenders have consented to maintain a special export freight rate on Silesian coal in return for the Polish government's

guarantee of a minimum 6% net railway operating profit.

Under the leadership of French capital, a new investment trust—Union Internationale de Placements, capitalized at $5 millions—has just been established in Luxembourg. Significance: (1) It represents the first of its kind undertaken by French capital; (2) it is established in Luxembourg in order to avoid French double taxing of holding companies. Among the French participants are the Suez Canal Co., Assurances Générales, Union Parisienne Financière Commerciale. Among foreign participants are the International Manhattan Co., New York; Warburg Co., Hamburg; Wagg Co., London; Labouchere Co., Amsterdam.

Meanwhile, rumors multiply that a $100-million French loan to Italy is in preparation. On the other hand, the rift in Franco-Italian naval accord has widened.

Oil Import Licenses

The so-called import licenses provided in the new petroleum legislation were issued this week. This will now permit foreign companies, notably Standard, Vacuum, and Royal Dutch, to go ahead with plans to build refineries in France. More properly, the new licenses are really 20-year manufacturing permits on the one hand obligating the holder to manufacture a specific allotment of certain finished products—notably lubricating oils, and gasoline—and on the other hand entitling the holder to import certain amounts of crude oil to fulfill these allotments.

The licenses are circumscribed by certain obligations and heavy penalties. Holders are required to file a bond with the government (Franco-American, subsidiary of Standard of New Jersey, alone must deposit $900,000), must place their projected local refineries in operation before Oct. 31, 1934, must actually manufacture in France thereafter 50% of their allotted quota of products, must carry constantly a stock of 25% of their quota which will be at the disposition of the government in case of national emergency. All this under penalty of forfeiture of their bond and manufacturing privileges.

The Quotas

Quotas have been partitioned as follows: to American companies 791,000 tons annually; Anglo-Dutch companies 675,000; Compagnie Française des Pétroles (which was accorded 25% of the total market for products both domestically manufactured and imported) 562,000 as a starter. The new manufacturing licenses are not to be confused

with already outstanding licenses for the import of foreign products. These are estimated to total 3 million tons, are largely held by French distributing subsidiaries of foreign manufacturers which now are establishing local refineries. Future purchases of products from these refineries by distributing importers are counted as imports.

Continued Gains Encourage Germany

Improvement continues. Automobiles, chemicals, textiles, shoes more active. No change for coal, steel, machinery, building. . . . Capital market revives. Gold moves to Berlin. . . . Agricultural protection relaxes.

BERLIN (*Cable*)—Despite the Easter lull, the improved tone manifest during recent weeks has been maintained. London's invitation to Chancellor Bruening and Foreign Minister Curtius to come to Downing Street for informal discussion of current problems is interpreted to augur well for amicable settlement of the customs union controversy. March reports from the Chambers of Commerce indicate better business in automobiles, textiles, chemicals, and shoes. Coal, steel, machinery and building show no improvement. Other industries are spotty.

The status of the Reichsbank following the quarter end is normal.

Although exchange rates have moved slightly against Germany, the Reichsbank took $1 million in gold from Paris, bought another $8 millions of Russian gold. The belief is general that April will bring lower short term rates, but prospects for a ½% cut in the rediscount rate are still doubtful, especially in view of the strained international situation and the uncertainty of the call money market. The capital market shows signs of revival, though domestic loans for the first quarter totaled only $13 millions, in comparison with $18 millions issued in 1930. In contrast, commercial, savings and mortgage banks report satisfactory results for last year due to the improved bond market.

Farm-Aid Bread

Germans may yet get away from the "dark" bread which "farm aid" has imposed on them. They may even eat more foreign wheat. With good intentions, the government, during the late fall farm crisis, decreed that bakers use a minimum of 65% domestic wheat in every loaf. This week the quota was dropped to 50%—will continue so through May. Obviously, government estimates of the carryover from the old crop were exaggerated. In the last 8 months during which the prohibitive tariff plus the milling quota got under way, Germany imported scarcely 187,000 tons of foreign wheat. A year ago 897,000 tons were imported. Domestic wheat is disappearing. Tariffs may have to come down. Certainly, with wage cuts, Germans won't tolerate an increase in the domestic price of bread.

Enforcing Sugar Plan

Late in cooperating, Germany's sugar industry now is completing its domestic organization to enforce the Chadbourne restriction plan. A new association has been formed. When a half dozen recalcitrant sugar industrialists refused to join, the government stepped in, forced them to cooperate. When German delegates vote at Paris this week on future policies, they will represent a united and completely organized industry. Restriction begins with this year's crop; for Germany, amounts to 10%.

No Change in Latin American Outlet

Trend featureless with no sign of early change. . . . Argentine export volume good; prices still low. . . . Brazilian inactivity accentuated by holiday.

NOTHING startling, nothing bad in Latin America during the first week of the second quarter. Argentina shows the effects of depression in figures for business failures in March which were the largest for any March in 30 years. On the other hand, the country is consolidating its financial position, continuing heavy exports of grain despite low prices, and settling down to serious government elections with less threat of trouble and more promise of a stable government than in years.

Brazil is sluggish. Coffee shipments are slightly below normal. Business in São Paulo and Rio de Janeiro was retarded by holiday observance but also fails to show the usual activity. American banks are relieved at the withdrawal of the government-appointed fiscal agents who were required to pass on all exchange transactions, and the reversion of this duty to the Banco do Brasil. Exchange restrictions at the same time have largely been removed.

Chilean activities are subordinated to the financing and reorganization of

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PLENTY

"Though the Americans may sometimes have a setback for a time, they will soon rebound and take a fresh start—there is plenty for all."

SIR JAMES CAIRD—1857

Today's dollar is not concerned with the "plenty for all." It demands respect and judgment. To do its full day's work it must not be frittered away on accessories.

Today's dollar is putting advertising under the microscope. It knows the value of this sales help—when correctly bought and used. It knows that advertising must reach the right market for specific goods and that each market is divided into three parts: The uncashable bottom; the widely dispersed center; and the powerfully-influential, though limited, top.

The Business Week has that powerful peak of prestige compactly gathered within the circle of its subscribers—gathered here without any outsiders.

Naturally, this publication recognizes the necessity and justification of reaching the broad general audiences occupying the lower divisions—for certain types of sales programs and for certain products. But, where the favorable acceptance of the real heads of this country's business is desired, The Business Week is your first logical answer.

The Business Week doesn't have to sell you upon yourself—nor upon the power concentrated in the other 75,000 subscribers to our publication. But, when it comes to giving your Today's advertising dollar the utmost in top value (for a relatively small sum) we don't think you should forget yourself nor your reading confreres.

the country's nitrate interests. The Cosach loan, $15 millions of which were offered in Europe and only 10% absorbed by the public, has been distributed to banks and investment houses. Another $10-million block is reported sold direct to Guggenheim interests in New York. The stockholders of Anglo-Chilean Consolidated Nitrate Corp. will formally vote on Apr. 17 on affiliating with the Cosach combine.

Oil Difficulties

Colombia's new oil bills, demanding that oil companies share all geological data with the government, maintain production at 25% of capacity, and admit that first rights on property ownership belong to the government, has caused The Texas Petroleum Co. and the Sinclair interests to refuse to carry out plans for developing the oil lands they now hold. Shareholders in the long-disputed Barco concession (principally the Gulf Oil Co. and Carib Syndicate) have indicated that difficulties have been adjusted, their concession will be developed soon.

Japanese Business Reacts Sharply; Stocks Slump

Drastic reaction. Stock, bond, commodity prices slump. . . . Unemployment curbed; wage cuts. . . . Shipping companies reach agreement.

JAPAN wound up first quarter business and pushed on into spring with a spectacular drop. Stock prices lost almost all of the healthy gains made in March as investors hastened to take their profits. Reaction was almost inevitable after 6 months of slow but steady improvement in the face of unsettled conditions throughout the world.

Commodities slumped badly. Silk prices dropped, but less drastically than cotton yarn.

Government statistics show that unemployment in December totaled 362,500, an increase of 11,585 over November. Without doubt, the present total is down because of increased activity in the textile industry. Wage reductions, however, are spreading, average 10%.

Nippon Yusen Kaisha and Osaka Shosen Kaisha, Japan's leading steamship services, have come to an agreement rationalizing sailing schedules by regulating spheres of influence (*BW—Apr8'31*). Under the arrangement, N. Y. K. will operate on the run to Puget Sound, while O. S. K. will monopolize the trade with the east coast of South America.

The Figures of the Week And What They Mean

The stimulus of definite business improvement, needed to induce substantial forward commitments in steel, copper and cotton is still lacking. . . . Steel activity has declined further. . . . Gain in carloadings is small. . . . Prices continue to waver. . . . Our adjusted index of business activity moved downward to 79.8% of normal for the first week of April compared with a revised figure of 81.3% the preceding week and 96% a year ago.

Steel Mill Activity

The decline in steel mill activity from a level of 55% of capacity to 52% is characterized by the trade journals as slight and not unexpected for the season. Our adjusted index of steel ingot production, revised to make allowance for the recently published data on the enlarged capacity of the industry, indicates a decline from 69% of normal to 66%. While March often marks the spring peak, a tonnage of little more than 3 million tons representing a 54.7% operating rate, according to the American Iron & Steel Institute, makes March, 1931 the smallest on record since 1921 and 1922. The trend in steel ingot production thus far in 1931 closely parallels 1922, having increased each month since the low in December.

Total tonnage of slightly more than 8 million tons for the first quarter represents a 33% decline from the same period of 1930, which was characterized by a sharp upward trend that was not sustained after February. The first quarter of 1931 compares unfavorably with the first quarter of every year from 1917 to date with the exception of 1921 which was exceeded by 28% and 1922 which was exceeded by 19%. A gain of 15% over the last quarter of 1930 was a somewhat better improvement than made by similar periods in 1930 and 1929.

Pig Iron Production

Pig iron production has also shown a steady increase since December, with March gaining 7.6% over February compared with steel's 10% gain in daily production. The increase in the number of stacks put in operation during the month indicates further expansion in April. Though 1930 was a poor year in steel and iron production, the capacity of the industry was considerably expanded. Steel ingot capacity was enlarged by 3.8 million tons, or 6%, a greater tonnage and percentage increase than in the preceding three years.

The decline in activity in steel centers for the second consecutive week is again due to curtailment in specifications from automobile centers plus some general hesitation in other lines induced by uncertainties in the price situation. The trade journals are still confident that April will show motor car production in the U. S. and Canada greater than 300,000 units. Demand from this source coupled with exceptional contracts anticipated from highway and building operations lends weight to the contention that peak production for the first half of 1931 has not yet been reached. Fabricated steel projects this year have totaled 943,500 tons against 423,000 in same period of 1930, 558,000 in 1929.

Building Contracts

April building contract reports will not be available for publication in this or the next issue, so that adjusted indexes for this item must be estimated. The average of the 5-year period 1925-1929 showed a 7.5% increase, while 1930 showed a 5.8% increase. With heavy contracts in public works likely to

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*79.8	†81.3	96.0
Production			
Steel Mill Operation (% capacity)	52	55	74
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)		$14,278	$18,790
Bituminous Coal (daily average, 1,000 tons)	*1,253	†1,235	1,485
Petroleum (daily average, 1,000 bbls.)	2,252	2,275	2,530
Total Electric Power (millions K. W. H.)	1,672	1,681	1,699
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	123	124	148
Check Payments (outside N. Y. City, millions)	$4,649	$4,161	$6,421
Money in Circulation (daily average, millions)	$4,639	$4,577	$4,540
Wheat Receipts (1,000 bushels)	5,407	6,821	2,594
Cotton Receipts (1,000 bales)	103	124	88
Cattle Receipts (1,000 head)	*138	†173	161
Hog Receipts (1,000 head)	*463	†504	519
Wool Receipts (1,000 lbs.)	5,404	4,000	4,306
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$.72	$.71	$1.02
Cotton (middling, New York, lb.)	$.106	$.108	$.166
Iron and Steel (composite, ton)	$31.67	$31.67	$34.52
Copper (electrolytic, lb.)	$.093	$.096	$.178
All Commodities (Fisher's Index, 1926-100)	75.3	75.6	90.8
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$15,419	$15,470	$16,913
Commercial Loans, Federal Reserve member banks (millions)	$8,150	$8,121	$8,669
Brokers' Loans, New York Federal Reserve member banks (millions)	$1,822	$1,875	$3,994
Federal Reserve System Ratio	83.8	83.5	81.5
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	11,237	13,503	28,959
Stock Prices (N. Y. Times, average 50 stocks)	$153.71	$161.01	$238.06
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$46,324	$53,534	$69,596
Bond Prices (Dow, Jones, average 40 bonds)	$96.02	$96.29	$95.41
Interest Rates—Call Loans (daily average)	1.5	1.5	4.0
Interest Rates—Time Loans (daily average)	$1\frac{3}{4}$-2	$1\frac{3}{4}$-2	4
Business Failures (Dun, number)	549	654	503

*Preliminary †Revised

be released in the next few weeks, it would seem probable that April, 1931, will show some improvement over March. Contracts in the first quarter of 1931 totaled $833.7 millions against $1,097 millions in 1930, a decline of 24% and the smallest for the 37 states of the past 6 years, according to the F. W. Dodge Corp. Residential contracts lagged only 4% behind 1930, but 50% behind 1929 and 66% behind 1928. Public works in the first quarter of the year lagged behind the comparable period of 1930 by 16%, while non-residential lagged 41%.

Bituminous coal production increased slightly during the last week of March instead of declining in the usual seasonal manner, so that our adjusted index rose from 62% of normal to 65%. Anthracite production was sharply curtailed.

Electric Power

The decline in electric power production being usual for the season, our adjusted index remains unchanged at 90% of normal. The week's output is again above the same week of 1929. The U. S. Geological Survey report on February electric power production of public utility plants indicates a 6% decline compared with February, 1930. This is somewhat better than the 8% spread that existed in January. However, the difference is probably accounted for by the sharp drop between January and February in 1930, rather than by any gain during February, 1931.

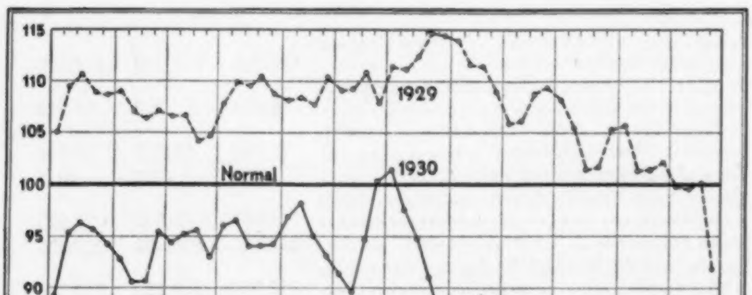
Car loadings lost ground during the week of Mar. 28 due to declines in coal, coke, grain, and livestock loadings, but the two classifications upon which our index is based—miscellaneous and less-than-carlot freight—increased slightly. The increase was not sufficient to change our index, which remains at 75% of normal. Loadings since the first of the year are nearly 18% below the same period of 1930 and 24% below 1929. The severe decline in shipments is reflected in the earnings statement of 171 Class A roads, which report a 47% decline in net operating income for the first two months of the year compared with the same period of 1930.

Check Payments

The usual fortnightly rise in check payments was not as great as expected for the week ending Apr. 1. Ordinarily this week brings forth a greater volume of checks than the mid-March week.

Our index based on the 140 cities outside of New York City declined fractionally to 82% of normal against 83% the preceding two weeks. Check payments for the month of March showed the usual upward tendency compared with February, but the total volume of checks was the smallest for the month since 1922, making no allowance for price declines. New York checks showed a 32% increase over February reflecting governmental financing, while outside of New York, only a 14% rise occurred in the 140 cities and 11% in 131 centers. Comparisons with 1930 show the greatest decline in New York City which was influenced by brisk stock market activity and by business averaging 95% of normal.

The spurt in the volume of money in circulation during the week of Apr. 4 is partly the usual seasonal rise that occurs at the beginning of each month, and partly indicative of the demand for currency incident to the large volume of soldiers' loan checks issued in the last few weeks. The effect of Easter trading on currency demand is not believed to have been significant. Our adjusted index moved upward slightly to 111% of normal against 110% last week.



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Commodity price fluctuations during the week were narrow, and generally downward. Wheat, oat, corn prices sagged. The government crop report on winter wheat is expected to reveal a better condition than private estimates. Cotton prices continue their decline. Exports are running ahead of comparable weeks of last season. Cotton consumption figures in February indicate world consumption of 904,000 bales against 1,055,000 a year ago. Metal markets were dull. Small quantities of copper were sold at 9½¢ to 9¾¢ for domestic demand, while the export price is quoted at 10.30¢ with buyers aloof. Zinc, tin, and silver also declined. The rise posted by steel wire mills is still untested, as customers have large deliveries coming to them at the former price. The advances posted for steel bars, plates, and shapes have been largely gestures, while strip advances were soon abandoned. Severe price competition in steel induced by the high cost of low operating rates has revived rumors of a ruthless price war, but such tactics by the larger companies against the small independents have been denied.

Commercial Loans

Commercial loans increased slightly during the week of Apr. 1, chiefly in the Chicago, Boston, and Philadelphia districts, while New York showed an $8-million decline. For the past seven weeks, these loans have fluctuated in a narrow range instead of showing the customary seasonal expansion. Our adjusted index, which allows for the sharp drop in wholesale prices, remains at 109% of normal.

Trends of the Markets In Money, Stocks, Bonds

Bonds declined further in the same sagging market as of recent weeks. ... Utilities were leading borrowers. ... Stocks met stronger resistance to the decline but are still depressed by adverse factors. ... Despite an early firming tendency, the net result of monetary trends for the week was toward further ease, especially to bank customers.

Lower Money Rates, Freer Lending Indicated

MONEY tended toward further ease this week, especially toward an easing up in the rates which banks charge customers. Through a combination of factors, the indebtedness of banks to the Federal Reserve system declined by a considerable amount to the lowest point it has reached during this depression—and for a number of years before. The amount of this indebtedness is probably the most important determinant of the rates charged customers.

The forces that make for this easing were a further increase in monetary gold stock to a new high record and a slight decrease in currency in circulation. While Reserve credit outstanding declined, the system bought a few more acceptances in the dull market which prevailed. A decline in deposits due to the drop in loans and investments freed some reserve balances. The excess of funds going to the banks from these developments was used to reduce their debt.

Depends on Reserve

Maintenance of this unusually low total of bank indebtedness will depend on the Reserve system. The Treasury is withdrawing large amounts of funds from the banks to cover bonus payments and expenditures. These will return to the banks in deposits requiring reserves and this will tend to tighten money, unless other easing factors offset this development.

Money showed signs of tightening the first of the week as the call rate jumped to 2½% on withdrawal of call funds, probably one result of government withdrawals from the banks. Money poured in from non-New York banks and brought the rate back to the 1½% level.

The growing desire of the banks to find more profitable uses for funds is manifest in their purchase of non-government bonds (probably despite their wishes) and in the rush of money to the 2½% call rate.

Stocks Resist Decline At January Price Levels

THE further decline in stocks this week showed the continuing influence of adverse factors heretofore enumerated plus the effect of another week of colorless to discouraging news. Dropping prices brought industrial and utility stock averages close to their low points for the year, with many issues, including the seasoned market leader, U. S. Steel, even going to new 1931 lows. Rallies dominated 2 days, a natural occurrence since the market never moves in one direction unvaryingly.

Liquidation Signs

The declining market needed less funds on which to operate, hence brokers' loans declined further. Bank loans to customers on securities also have continued their steady decline since the first of the year, both factors indicating the liquidated position of the market.

The growing deluge of dividend reductions and the increasing acceptance of a lower-wage philosophy reduced stockholders' hopes for early rapid business and stock price recoveries. A small flurry of firmer funds, reduction of April automobile production estimates, revelation of March's unprofitableness to the first reporting railroads, a soggy bond market, and other less encouraging business signs added pressure and increased bear selling.

The Buying Zone

Yet, this week's decline met increasing resistance at the January levels. Those first-of-the-year prices represented a revision to sanity from the demoralized prices of December. They give a yield of 5% or better, obtainable with reasonable assurance despite the persistence of dividend cuts, a yield desirable in this period of low money rates. And these yields reappear at a time when business, still in the early 1931 trough, shows signs of being at or even past the worst—at least recovery is 3 months closer than in January. In short, at

about these levels a growing number of individuals with money view stocks as a buy.

Of course, this resistance point is not impenetrable. And business is getting closer to the end of the spring stimulation without definite signs of cyclical recovery. Earnings are low and readjustments in process. Such facts may bring substantial blocks of discouraged stock into the market, and a comparatively small selling movement might be quite depressing.

The market is, therefore, in or approaching a period of testing, the result of which must depend on investors' evaluation of business prospects, with these admittedly none too favorable, at least for the near future. Buying opportunities appear likely to exist for some time to come.

Business Draws Heavily On the Bond Market

THE bond market went through another week of sagging prices. Much the same trends that have prevailed in recent weeks continued into this one.

Business obtained more funds through bonds this week than it has for some time, the new issue volume being about $250 millions, one of the 3 highest weeks by totals of the year. Utilities took the lion's share, with about $150 millions, displacing municipalities for leadership. Yet utility securities were strongest of any group. Industrial companies came next with about $50 millions. In addition to this volume, there was a $30-million Fox Film offer to stockholders and a federal Treasury certificate offer of $375 millions.

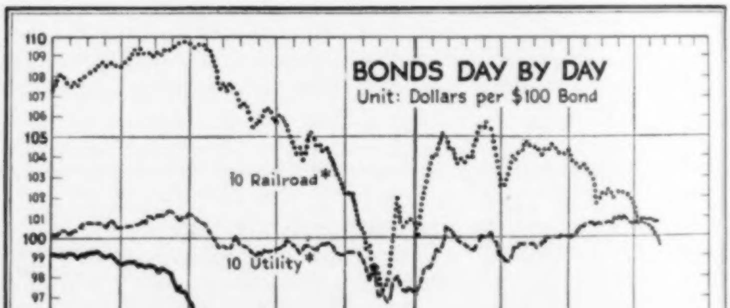
The outstanding utility issues were the $100 million Pennsylvania Power & Light and the $40 million Public Service of Northern Illinois. The two other large issues were that of the State of New York for $34.9 millions and National Steel's $40 millions.

Largely Refunding

This heavy movement of funds into business is tentatively encouraging. But a very large part is for refunding and refinancing purposes and will not result in increased business activity. Furthermore, as has been previously noted, the extensive outpouring of new issues continues to be at the cost of strength in the market.

The failure of the state legislative proposal to require New York commercial banks to segregate their thrift deposits and handle them the same as savings had a large meaning to the bond market. Had the measure passed a tremendous demand for legals would have ensued. Nevertheless, there is a growing conviction that the issues involved must sooner or later be faced.

Commercial banks again are buying a few non-government bonds, auguring well for business, yet they have not begun to take the volume they could if they would.



Letters

Margarine Speaks

Institute of Margarine Manufacturers
Washington, D. C.

To the Editor:

Under the heading "As Dairymen View It" there appeared a letter in a recent issue of your journal to the effect that Congress March 3 enacted a law "restoring the tax of 10¢ per pound on margarines when colored yellow in the semblance of butter." The letter is full of erroneous statements.

The word "restore" means that there was such a tax at some time or other in the past, and that it had been put back. This is not the fact.

There never was before this March 3, 1931, Act any provision carrying a tax of 10¢ per pound on yellow margarine when the yellow color was due to the natural inherent yellow colors in the fats and oils used in manufacture. This permission was given intentionally by the Act of Congress of 1902 with the announced purpose of permitting the use of such oils in the manufacture of margarine taxed at ¼¢ a pound. The Act of March 3, 1931, raised the tax of this class of goods from ¼¢ a pound to 10¢ per pound.

The letter stated that palm oil, with its natural yellow color, is "artificial as distinguished from a natural product" because it passes through "a process of extraction and purification with a possible distillation and bleaching." Such a statement is absurd. All vegetable oils are subjected to the refining processes which remove the free fatty acids in them as well as any floating foreign matter due to the processes of crushing and extracting. These refining processes do not change the nature of the color inherent in the oils, and, therefore, do not produce an artificial color.

The letter is also absurd with respect to the statement that the consumption of yellow margarine made from these natural yellow fats and oils caused the slump in the price of butter and a consequent loss of $2 millions a day to the butter industry. The production and consumption of margarine has fallen off from 20% to 30% during the last 6 months compared with the same period a year ago. It is absurd, therefore, to say that the slump in the price of butter has been due to the consumption of any kind of margarine, white or yellow.

It is well known that the natural yellow color, carotin, is a precursor of vitamin A. It is, therefore, the equivalent of vitamin A and does contribute food value to articles of food in which it is present. There is carotin in some of these natural yellow fats.

Congress has simply outlawed scientific and inventive contributions to economic welfare and did so "to help the farmer" at the expense of the body politic and under the whip of the dairy and butter lobbyists for the farm group.

Will you please give this letter the same publicity that you gave Mr. Hartman's letter for the sake of truth and a square deal to those concerned?

Respectfully,

J. S. Abbott,
Secretary

THE BUSINESS WEEK

The Journal of Business News and Interpretation

April 15, 1931

You Don't Say!

LAST week official Washington, through the resurrected White House spokesman and the crusty old Commissioner of Labor Statistics, said that, behind the scenes, it was waging a war, so far fairly successful, or at least hopeful, against the cutting of wage scales; and indicated that its invisible adversary in this heroic campaign was the "financial forces" who feel it is necessary to liquidate labor along with everything else in order to encourage recovery.

It makes us a bit peevish, we confess, to have our humble, homemade thunder imitated this way. We said as much, and more, many moons ago; and have been wiser and sadder since. Now we realize, with an uncomfortable catch in our throat, that it is probably too late for heroic rhetoric. The lightning will not flash, the rain will not cease, and the rainbow will not appear till the world is too weary to welcome it. The deluge of liquidation, now breaking through the last dike, will wash away not merely a wage level, but a world's hopes and faith.

And why? It is surely not sincere or sensible to suggest, as these officials do, that the enemy is malice or sheer self-interest among the money lenders. It is likewise manifestly unfair or fantastic to feel, as do so many small business men who want to maintain wages but can't, that industry has somehow been "sold out" by the banks. As we have watched them drift—business, banks, and government alike—through these dismal months without leadership it has dawned upon us that the real enemy is only ignorance and indecision.

At any time in the past year the deluge could have been stopped within three months by persuasion or by compulsion, if necessary. Co-operation among the banks on a courageous clearing-house basis could have checked liquidation and restored confidence; and aggressive, persistent open-market operations by the Federal Reserve Banks could have compelled them to cut short the chronic contraction of credit which has prolonged depression. Recovery has never and will never come otherwise, and though the risks and the cost to the commercial banks might be considerable, they cannot compare with the disappointment, distress, and dislocation to which indecision and delay have driven the world during this drifting, demoralizing deflation.

The banks have always said and will always say: "But there is no demand; business will not buy our goods; our vaults and tills are overflowing with idle funds already over-produced by our industrious liquidation of debt; and business men have no confidence (nor have we) that they can use them profitably."

Since it has come now to a question of all-round deflation and wage reduction, let us leave off recrimination and offer a constructive suggestion to our financial friends. Why not try a "Buy Now" campaign among bashful business borrowers? Be brutal about it, if necessary. Bring them into the brass cage and beg them, if you have to, to try a little bond issue, coax them to take a little commercial loan, cajole them into carrying along their line of credit a while longer so as to keep paying fair wages and provide employment for their workers. And don't forget to cut your retail prices. It stimulates consumption, you know. Let no coy customer escape. Don't be discouraged by a refusal.

What is needed now is a little high-pressure salesmanship. And above all, to stimulate enthusiasm and energy, let it be on the incentive basis. Every vice-president who can't cover his quota gets a cut in income to fit the cost of living.

Then, when this is done, we'll all be out early to watch the sun rise, on Millennium Morning.

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